Ontex IV S.A.

Operating & financial review of the audited financial statements for the financial year ended December 31, 2013

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Ontex Hygienic Disposables

Important Disclaimer

This report may include forward-looking statements. Forward-looking statements are statements regarding or based upon our management's current intentions, beliefs or expectations relating to, among other things, Ontex's future results of operations, financial condition, liquidity, prospects, growth, strategies or developments in the industry in which we operate. By their nature, forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results or future events to differ materially from those expressed or implied thereby. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein.

Forward-looking statements contained in this report regarding trends or current activities should not be taken as a report that such trends or activities will continue in the future. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on any such forward-looking statements, which speak only as of the date of this report.

The information contained in this report is subject to change without notice. No re-report or warranty, express or implied, is made as to the fairness, accuracy, reasonableness or completeness of the information contained herein and no reliance should be placed on it.

In most of the tables of this report, amounts are shown in € million for reasons of transparency. This may give rise to rounding differences in the tables presented in the report.

Business

Overview

Ontex: market leader in hygienic disposables

We are Europe's leading manufacturer of retailer branded hygienic disposable products. We primarily sell our products to retailers, helping them to establish or enhance their own brands. We sell both retailer brands and Ontex brands, with the mix varying by product category and geography. We also sell a small amount of finished unbranded products to other manufacturers, which is referred to as contract manufacturing.

Our core product categories include:

- Babycare products, principally baby diapers and, to a lesser extent, baby pants and wet wipes. Babycare products comprised 52.5% of our revenue for the year ended December 31, 2013.
- Adult incontinence products, such as adult pants, adult diapers, incontinence towels and bed protection. Adult incontinence products comprised 32.9% of our revenue for the year ended December 31, 2013.
- Feminine care products, such as sanitary pads, panty liners and tampons. Feminine care products comprised 13.2% of our revenue for the year ended December 31, 2013.

We estimate that our aggregate retailer brand market share by volume across our core product range was approximately 41% in Western Europe and above 50% in Eastern Europe as at December 31, 2013. We believe our market share in the retailer brand segment in Western Europe is 2.7 times that of our nearest competitor, based on total volumes.

Western Europe contributed 68.4% of our revenue for the year ended December 31, 2013, Eastern Europe contributed 13.2% and the rest of the world, including Turkey, contributed 18.4%.

In Western Europe, our customers include retailers, wholesalers, distributors and institutions. We enjoy deep relationships with the main large European retailers, and we believe the duration and continued strength of these customer relationships is the result of the quality and breadth of our product offering, our manufacturing capability, our investments in innovation and the strength of our commercial organisation.

For the year ended December 31, 2013, 62.3% of our revenue was generated from retailer branded products, while 37.7% of our revenue came from branded products. The share of branded products has increased in 2013 on the back of the Serenity acquisition in April 2013.

Retailer brands are increasingly being viewed as real brands that are actively supported by retailers. Consequently, we believe that our high quality products, customer service and continued product development are important success factors in our industry. In third-party surveys our products generally receive quality ratings that are similar to those of equivalent branded products.

We are headquartered in Zele, Belgium and have a well-balanced manufacturing and sales footprint. In the second quarter of 2014, we plan to relocate our headquarters to Aalst-Erembodegem, Belgium. We have 15 production facilities located across Europe (including two in Belgium, one in the Czech Republic, two in France, two in Germany, one in Spain and one in Italy), China, Turkey, Algeria,

Russia, Australia and Pakistan. We have 23 sales and marketing teams located across Europe, Asia, Africa, Turkey, Middle East and Australia through which we make sales in more than 100 countries worldwide. The wide reach of our production facilities and sales offices allows us to operate across a wide range of markets in a cost effective manner. We employed on average 4,981 full time equivalent employees during the year ended December 31, 2013.

History of the Group

Ontex was founded in 1979 by Paul Van Malderen and initially produced mattress protectors for the Belgian institutional market. During the 1980s and the first half of the 1990s, the Company expanded its product range into its current core product categories and grew the business internationally both organically and through acquisitions.

After opening a production facility in the Czech Republic and acquiring businesses in Belgium, Germany and Spain, Ontex was listed on Euronext Brussels in 1998. Following the listing, we experienced rapid growth over several years, primarily through bolt-on acquisitions in France, Germany and Turkey.

Ontex was acquired by funds advised by Candover in 2003 and subsequently de-listed from Euronext Brussels. We acquired a diaper production unit of Paul Hartmann in Germany in 2004 and opened a production facility in China in 2006. In 2008, we opened a production facility in Algeria. In 2010, we acquired iD Medica, which sells incontinence products in Germany.

In November 2010, Ontex was acquired by funds managed by GSCP and TPG. In 2011, we opened two additional production facilities, one in Australia and one in Russia, and acquired Lille Healthcare, a company operating in the adult incontinence market in France, in October 2011. In 2013, we acquired Serenity, a company operating in the adult incontinence market in Italy, and opened a production facility in Pakistan. In 2013, Charles Bouaziz and Jacques Purnode joined us as Chief Executive Officer and Chief Financial Officer, respectively.

Overview of Products

Our Babycare product line consists of principally baby diapers and to a lesser extent baby pants and baby wet wipes; the Feminine care product line consists of sanitary pads, panty liners and tampons; and our Adult Incontinence product line includes both light and heavy incontinence products such as adult pants, adult diapers and incontinence towels, as well as underpads, which are used to protect beds or other surfaces. The table below shows, for the last two financial years, our revenue for each of our product categories as well as the corresponding share of the total. The table below includes Serenity from the date of acquisition, which was April 4, 2013.

Revenue by Product Category: (in € million)	**2013**	**% of revenue**	**2012**	**% of revenue**
Babycare	783.2	52.5	722.8	55.2
Feminine care	197.5	13.2	187.4	14.3
Adult Incontinence	490.6	32.9	379.6	29.0
Other	20.6	1.4	19.2	1.5
Total	**1,491.9**		**1,309.0**	

Overview of Divisions

Until December 31, 2013, the Group was organized into three divisions. During 2013, we renamed the Turkey Region division as Middle East and Africa (MEA) to better reflect the nature of the division's sales. A small number of customers have been reclassified to a different division in 2013, in line with the account and sales management. To allow for relevant comparisons, the 2012 revenue by division have

been restated. Effective January 1, 2014, the former Retail Division has been split into the new Mature Market Retail and Growth Markets divisions resulting in 4 divisions. For ease of comparison across periods, we have elected to present the group's revenue based on the historical divisional structure, which applied throughout FY 2013. Future Group reporting will be done under the new divisional structure and a reconciliation between the former Retail Division and the new Mature Market Retail and Growth Markets divisions will be provided for comparison purposes with previous periods.

The table below shows our revenue for each division over the last two years, as well as the corresponding share of total revenue. The table below also includes Serenity from the date of acquisition, which was April 4, 2013.

Revenue by Division: **(in € million)**	**2013**	**% of revenue**	**2012**	**% of revenue**
Retail	933.8	62.6	878.5	67. 1
Healthcare	379.7	25.4	269.9	20.6
Middle East and Africa	178.4	12.0	160.6	12.3
Total	**1,491.9**		**1,309.0**	

Retail division (62.6 % of total revenue for the year ended December 31, 2013)

Overview

The Retail division, our largest division, primarily sells retailer branded products and a relatively small volume of branded products, such as *Helen Harper and Moltex*, to national and international retailers. The Retail division also selectively manufactures products for third-party suppliers ("Contract Manufacturing"). The division sells babycare, feminine care as well as adult incontinence products.

Revenue Breakdown

Branding: In 2013, revenue from the sale of retailer branded products accounted for €850.3 million or 91.0% of the division's total revenue, while Ontex branded products accounted for approximately €53.9 million, or 5.8%, of the division's total revenue for the same period. In selected developing markets, including Eastern Europe, Russia and Asia, where the retailer brand market is underdeveloped, due to the dominant traditional trade market, we operate a brand strategy whereas in more mature countries, where retailers have a higher proportion of the trade, we operate retailer brands. Contract Manufacturing accounted for approximately €29.6 million, or 3.2% of the division's revenue in 2013.

Geography: The bulk of the division's sales are in Western Europe, which accounted for 70.9% of divisional revenue in 2013, but the division is also increasingly exporting its products into Eastern Europe, as shown in the table below:

Revenue by Geography: **(in € million)**	**2013**	**% of revenue**	**2012**	**% of revenue**
Western Europe	661.9	70.9	630.4	71.8
Eastern Europe	187.5	20.1	173.3	19.7
Rest of the World	84.4	9.0	74.8	8.5
Total	**933.8**		**878.5**	

Product: Approximately 67.5% of the division's 2013 revenue comes from the sale of our Babycare Products, primarily baby diapers. The table below shows the division's revenue for each product category for the last two financial years:

Revenue by Product Category: (in € million)	**2013**	**% of revenue**	**2012**	**% of revenue**
Babycare	630.8	67.5	592.7	67.5
Feminine care	193.8	20.8	181.2	20.6
Adult Incontinence	104.9	11.2	100.5	11.4
Other	4.3	0.5	4.1	0.5
Total	**933.8**		**878.5**	

Market Share

We are a leading retailer brand manufacturer of baby diapers in Western Europe by volume. We believe that our market share by volume in the Western European retailer brand babycare market was approximately 41% and 40%, respectively, for the year ended December 31, 2013 and December 31, 2012. In Eastern Europe, we also believe that we are the leading producer of retailer branded babycare products, with a share of the retailer branded market of above 50%. (Source: Competition Mapping). We also produce and sell baby wipes, which represent only a small proportion of the division's operations.

We are a leading retailer brand provider of Feminine Care Products in Western Europe with a market share by volume in 2013 of approximately 41% (Source: Competition Mapping), which makes us one of the largest producers of Feminine Care Products in Western Europe (retailer branded and branded markets combined). In Eastern Europe, we also believe that we are the leading producer of retailer branded feminine care products, with a share of the retailer branded market of above 50%.

We believe that we are the leading producer of retailer branded adult incontinence products to retailers in Western Europe, with a market share by volume of approximately 48% for the year ended December 31, 2013 (Source: Competition Mapping). In Eastern Europe, we also believe that we are the leading producer of retailer branded adult incontinence products, with a share of the retailer branded market of approximately 40% based on volume in 2013.

Customers and Agreements

The division's key customers are primarily leading national and international retailers. We enjoy deep relationships with the main large European retailers. The Retail division also sells to customers that are not retailers and these include distributors and third-party suppliers.

We enter into framework agreements with the majority of our retail customers and distributors. These agreements are generally on a non-exclusive basis and contain no minimum purchase obligations. These agreements typically do not have a fixed term, and when they do, the term is generally one to two years. Some of these agreements are automatically renewed or continue indefinitely, unless either party terminates.

Production Facilities and Distribution

The Retail division is responsible for the management and operation of 8 of our 15 production facilities, although those plants do not operate exclusively for the Retail division. The Retail division also sources products from production facilities managed by other divisions to a certain extent. Our

production facilities are located close to our core markets and customers, which we believe is an important competitive advantage.

Marketing

The division does not carry out any significant direct advertising or marketing campaigns as it primarily sells retailer brand products. As retailer brands are increasingly being viewed as real brands, retailers are actively supporting their brands through marketing campaigns and discounts to consumers at their own cost.

Healthcare division (25.4% of total revenue for the year ended December 31, 2013)

Overview

The Healthcare division sells Ontex branded and, to a much lesser extent, retailer branded products, directly or through indirect distribution channels primarily to institutional customers in the healthcare market, such as governmental departments, local authorities, health insurers, hospitals and nursing homes, and in some cases directly to consumers in their homes. The division's branded products, such as *iD*, are well known in the market and have been established for many years. The Lille Healthcare brand was added to the division's branded product range in 2011 as a result of the Lille Healthcare acquisition, while the Serenity brand was added as a result of the Serenity acquisition in 2013.

Revenue Breakdown

Branding: In 2013, revenue from the sale of branded products accounted for approximately €334.0 million, or 88.0% of the division's total revenue for the same period. Revenue from the sale of retailer branded products accounted for approximately €45.7 million, or 12.0% of the division's total revenue for the same period.

Geography: Almost all of the division's revenue for the last two financial years was derived from Western Europe.

Product: The division primarily sells Adult Incontinence Products, including adult pants, adult diapers, incontinence towels and bed protection. The division also sells a limited amount of Babycare Products and Feminine Care Products.

Revenue by Product Category: **(in € million)**	**2013**	**% of revenue**	**2012**	**% of revenue**
Babycare	9.5	2.5	8.7	3.2
Feminine care	0.3	0.1	0.3	0.1
Adult Incontinence	355.2	93.5	247.5	91.7
Other	14.7	3.9	13.4	5.0
Total	**379.7**		**269.9**	

Market Share

We estimate that our share of the healthcare market in Western Europe was approximately 19% based on value in 2013.

Customers and Sales

Distribution channels for the Healthcare division are impacted by local standards and regulations. Our customers include distributors as well as institutions (governmental departments, local authorities, hospitals, health insurers and nursing homes), and consumers who purchase products through arrangements with health insurers and governmental bodies for use in their homes.

The majority of our current customer agreements in this division is based on a one- and two-year framework or supply agreements to provide products at an agreed specification and at an agreed price.

Production Facilities and Distribution

The Healthcare division is responsible for the management and operation of four manufacturing facilities in Buggenhout (Belgium), Arras (France), Wasquehal (France) and Ortona (Italy). The division also receives products from production facilities managed by other divisions, and supplies products to other divisions.

Marketing

The division does not carry out any significant advertising or mass marketing campaigns. The division, however, often promotes its products to certain institutional customers by arranging visits by marketing representatives in order to educate their personnel about the products offered.

Middle East and Africa (MEA) division (12.0 % of total revenue for the year ended December 31, 2013)

Overview

The Middle East and Africa Division (formerly the Turkey region division) primarily sells branded products, including Babycare, Feminine Care and Adult Incontinence Products, principally in Turkey, Algeria and Pakistan, where we have production facilities, and exports products to other countries in the region, including Morocco, Georgia, Azerbaijan and Macedonia.

These countries have favorable demographics, supporting growth as well as a high adoption gap (the difference between the rates at which hygienic disposable products are accepted) compared to Western Europe. Unlike in Western Europe, where major retail groups are strong, emerging markets typically have fragmented distribution channels with a wide variety of suppliers delivering products to a broad variety and large number of points of sale. With few major retail groups in the market, retailer branded products currently account for a small proportion of the overall market.

Revenue Breakdown

Branding: As the retailer brand segment is underdeveloped in Turkey and in many of the countries included within the MEA division, we reach consumers in these markets through commercialising our own brands. As a result, 97.9% of the division's revenue were branded products. In Turkey, for example, we offer the well-known Canbebe brand as a high-quality brand. The Canbebe brand was re-launched in Turkey at the end of 2012, which has had a favorable impact on revenue.

The division's primary Babycare brands are *Canbebe* and *Bello*. Launched at the end of 2011, *Helen Harper* is the division's principal feminine care brand—replacing *Canlady*, which has been withdrawn from the market. *Canped* is its principal Adult Incontinence brand.

Product: The table below shows the revenue generated by the division in the last two financial years broken down by product category.

Revenue by Product Category: (in € million)	2013	% of revenue	2012	% of revenue
Babycare	142.8	80.0	121.5	75.6
Feminine care	3.4	1.9	5.9	3.7
Adult Incontinence	30.6	17.2	31.5	19.6
Other	1.6	0.9	1.7	1.1
Total	**178.4**		**160.6**	

Market Share

In the Middle East and Africa, we enjoy strong market positions in several countries through our Ontex brand offering. In Turkey, Algeria, Morocco, Pakistan, Azerbaijan and Georgia, we were among the top three players in the babycare market.

Customers and Agreements

In the Middle East and Africa, we primarily sell products to distributors, wholesalers and other intermediaries who market our products to traditional stores. Contracts with distributors typically have a one-year term with an automatic renewal.

The division focuses on and is experienced in promoting the sale and export of its branded products in markets that have similar distribution chains to Turkey, such as in Algeria, Morocco, Pakistan and other countries surrounding Turkey. In 2013, Turkey accounted for 49.7% of the MEA division's revenue (with the remainder attributable to Algeria, Morocco, Pakistan and other countries), compared to 55.0% in 2012.

Production Facilities and Distribution

The MEA division is responsible for the management and operation of three manufacturing facilities in Istanbul, (Turkey), Algiers (Algeria) and Karachi (Pakistan).

Marketing

In order to maintain and develop its market positions in its key target countries, the division markets and advertises directly to consumers. The division does this through television, radio and magazine advertisements, as well as billboards.

The division sometimes promotes its products in the region by buying services from retailers that are designed to optimize in-store exposure and the visibility of our brands. We also employ individuals for in-store promotions of our products, through samples, leaflets and test products and carry out marketing campaigns aimed at attracting retailers and wholesalers to purchase our products.

The division also seeks to promote its *Canbebe* range in Turkish, Moroccan and Algerian hospitals by setting up *Canbebe* baby rooms, which are decorated with the *Canbebe* logo and branding, and offer samples of products to the parents of newly born babies. The division also attends and sponsors baby and child product fairs in these countries.

Operations

Research and Development

Our ability to provide our customers with products that offer innovative features based on comparable branded products is an important competitive advantage. We monitor trends in product innovation very closely through continuous testing and analysis of new products marketed by our branded competitors and aim to react quickly to those trends.

Our R&D team is centrally managed and has proven in-house R&D capabilities, with an average of five to six innovations (including both concepts and features) introduced each year since 2004. Our R&D team consists of 33 professionals who are principally based across our four R&D technical centers, which are located in our major production facilities in Belgium and Germany. The R&D team is primarily responsible for the design, development and validation of new products, the optimization of existing products and the approval of new raw materials. The R&D team pursues a collaborative approach with our marketing, legal, central purchasing, engineering and production teams to coordinate our product development strategy and to ensure rapid development and launch of innovations and product upgrades.

Our R&D centers each have their own laboratory testing equipment and manage consumer testing to ensure that products are verified and validated by testing on a sample basis. In addition, each production facility has a laboratory where product quality is monitored before products are released to customers.

Raw Materials and Suppliers

Raw material and packaging costs accounted for between 75% and 80% of our cost of sales in 2013. The relative percentage of raw materials included in our products varies. The principal raw materials used in the manufacture of our products are as follows:

- Fluff, the common name for milled wood pulp, which is used in the absorbent core of hygienic disposable products. Wood pulp, often bleached, is milled to separate the fibers into "fluff," a process which increases the pulp's bulk. Fluff represented between 15% and 20% of our cost of raw materials (incl. packaging) in 2013.
- Super-absorber, which consists of a material which can absorb many times its own weight in aqueous fluids. The majority of super-absorbers for the hygienic disposables market are polyacrylates made from caustic soda and acrylic acid and are sold in granular form. Super-absorber represented between 20% and 25% of our cost of raw materials (incl. packaging) in 2013.
- Non-woven fabrics, which are high-tech, engineered fabrics made from fibers used across a wide range of applications in consumer and industrial products. A significant portion of non-woven fabrics used in the hygienic disposables market are made using polypropylene. Non-woven products represented between 20% and 25% of our cost of raw materials (incl. packaging) in 2013.

Other raw materials used by us include tapes, polyethylene, adhesives, various packaging and other materials.

All of the main raw materials that we use are purchased from a broad base of suppliers. Our top 10 suppliers accounted for approximately 36% of total supplier spend in 2013 and no single supplier

accounted for more than 5.0% of total supplier spend in 2013. Raw materials constitute a large cost to the business, and we consistently conduct reviews and benchmark analysis of suppliers' pricing in order to achieve the best possible terms.

Our contracts with our raw material suppliers vary as to price, payment terms, quantities and duration, and our raw material costs are also subject to price volatility attributable to a number of factors, including the availability of supply (including supplier capacity constraints), general economic conditions, commodity price fluctuations (particularly of crude oil), the demand by other industries for the same raw materials and the availability of complementary and substitute materials.

We are focused on tightly controlling our raw material costs. We have implemented a number of cost-saving efficiency enhancements focused on raw material purchase costs, including measures to negotiate improved purchase prices, which we have achieved with many of our suppliers. In addition, we may seek to enter into other hedging agreements to mitigate any price increases, or, alternatively, seek different supply agreements to reduce our exposure to commodity price volatility.

Production Facilities and Supply Chain

We have 15 production facilities located across Europe (two in Belgium, one in the Czech Republic, two in France, two in Germany, one in Spain and one in Italy), China, Turkey, Algeria, Russia, Australia and Pakistan. On June 25, 2012, we announced the closure of our production plant in Recklinghausen, Germany. The closure had been delayed until 2013 and activity stopped in March 2013.

	Product manufactured		
	Babycare	Feminine care	Adult incontinence
Buggenhout, Belgium			X
Eeklo, Belgium	X	X	
Mayen, Germany	X		
Grosspostwitz, Germany		X	
Arras, France			X
Wasquehal, France			X
Turnov, Czech Republic	X	X	X
Segovia, Spain	X	X	X
Ortona, Italy			X
Noginsk, Russia			X
Istanbul, Turkey	X	X	X
Yangzhou, China		X	
Brisbane, Australia	X		
Algiers, Algeria	X		
Karachi, Pakistan	X		
Total	8	6	8

We have recently begun to explore the possibility of merging the Arras and Wasquehal facilities into a larger, more modern facility in the same region in France, with space to accommodate both the existing production lines from each of the old facilities as well as potential future production expansion plans.

We have well-maintained production facilities with capacity for growth. All of our production facilities are regularly inspected and are maintained to high standards. In addition, our larger retail customers regularly audit our production facilities. We believe that our investment in improving and maintaining production facilities has resulted in a regular improvement in production efficiency across product categories during the past few years. Since 2012, we have invested in 23 new production lines and approximately 20 major machine conversions. The flexibility of our production facilities allows us to deliver customized products to our customers and respond to changes in demand for our products or disruptions across our business while minimizing our cost of production. For example, after a severe flood in September 2009 caused a four-month shutdown of our Turkish production facility, we were able to reallocate the manufacturing to other locations, thereby mitigating the impact on our customers and our results of operations. We also believe that, unlike many manufacturers of branded products, we have significant flexibility to redeploy machines to meet customers' needs. In particular, we are able to cope with small batch sizes and are efficient at managing our stock.

Transportation and Delivery

In general, we arrange for our products to be delivered to our customers directly but, in some instances, the customer collects the products from the relevant production facility, warehouse or distribution center. In the case of the former, we transport our products using a range of third-party transport companies. In our Retail division, where we sell a range of products to a customer, these products may be consolidated into a single dispatch order, which can lead to cost savings. We also engage a transport company to transport products from our production facilities to the relevant warehouse or distribution center. To provide maximum flexibility, we utilize a mixture of leased warehouses which we operate ourselves and distribution centers which are operated by third parties and where we pay for each pallet that passes through the facility.

Supply Chain

Our supply chain management provides services encompassing the delivery of raw materials to our production facilities and the delivery of finished products to customers. This process is managed by a central department and managed through our IT-platform “SAP” (except in Algeria, Pakistan and China), which enables us to forecast future operational demands across our business.

Marketing and Sales

We have 23 sales and marketing teams located across Europe, Asia, Africa, Turkey, Middle East and Australia through which we make sales in more than 100 countries worldwide. Management has recently introduced the roles of Group Marketing Director and Group Sales Director, reporting directly to the CEO and focusing on account management, category management and the promotion of local brands. In particular, management is focusing on centralising the management of large accounts and approaching retailer customers based on their organizational structure.

Each of our divisions has its own sales teams, specialising in the products offered by that division and has local knowledge of the market. The Retail division sales teams, which are based throughout Europe, primarily focus on sales in Western and Eastern Europe. Moreover, an export team is focusing on sales to customers in the rest of the world and also promotes our third-party manufacturing capabilities. Recently local sales offices have been opened in Ukraine and Kazakhstan (2012). The Healthcare division’s sales teams, which are based in France, Spain, Germany, Belgium, the United Kingdom, Australia and Italy, focus on institutional buyers of Adult Incontinence Products and also tend to be larger than the Retail division sales teams. The MEA division had existing sales teams in Turkey and Algeria, and set up further sales offices in Morocco and Pakistan in 2011.

Pricing Policy

In the Retail and Healthcare Divisions, pricing of products is determined on a centralised basis either as a result of direct involvement in pricing discussions or through clearly identified parameters. Final prices may be determined either through detailed negotiation or, in the case of institutional customers, in response to a formal tender process.

In the Middle East and Africa Division, we sell our products primarily through distributors. The prices for our products are largely set on the basis of local market standards, taking into account production costs, including raw material costs, and the prices set by our competitors.

Intellectual Property

It is of the utmost importance to us and our customers that we ensure that our products, machines and manufacturing procedures do not infringe any third party intellectual property rights. We assess our products, machines and manufacturing procedures from a legal, regulatory and intellectual property standpoint in order to achieve this objective.

As part of this process, we strive to keep our know-how confidential and file for intellectual property rights to obtain relevant protection towards third parties, safeguard our own freedom to operate and maximize business and commercial opportunities arising therefrom. Our approach to protection of our intellectual property varies depending on the nature of the technology we are trying to safeguard. For manufacturing processes and machines, we often choose to keep our know-how and technology confidential without any disclosure outside the company, while for product innovation we may file for relevant intellectual property rights and thereby disclose the product technology within the respective application. The reason we take this differentiated approach is that product technologies may potentially be reverse-engineered once the product is placed on the market, while this is not the case for machines and processes which remain confidential within our production facilities. Any innovation must still be assessed on a case by case basis and may take a different approach in certain cases.

Further, if there is customer demand for a new product or innovation which is protected by third party rights, where possible we will seek to negotiate and purchase a license from the relevant third party in order to be able to manufacture the product.

Next to technology protection we also seek to protect our brands and trademarks related to our key branded products, such as iD, Canbebe, Helen Harper, Canped, Lille Healthcare, Euron, Babycharm, Baby Soft Moltex and Serenity by registering in key jurisdictions.

Insurance

We have insurance policies in place that cover public and product liability, death or injury to employees and damage to property, including buildings, plants, machinery and stock. We also have insurance coverage for business interruption.

We work closely with our insurance brokers to ensure that we are adequately protected and to minimize the risk of any loss. However, our insurance does not cover every potential risk associated with our business. We do not carry freight insurance for our products because of the large volumes of products transported and the relatively small monetary loss that could result from any given incident.

Information Technology and Data

Our single most critical business system is our IT platform, which is based on SAP and is used for our commercial activities, including purchasing, sales and marketing, finance, plant maintenance and reporting. The IT platform provides full financial reporting and integration across all of our operations, with the exception of our operations in China, Pakistan and Algeria and certain small sales offices where

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it is not cost-effective to roll out. We support our IT systems through an in-house team of SAP specialists.

We have taken appropriate measures to secure our systems and data by using standard IT security capability products. We have two centralized backup data storage facilities, as well as business continuity plans in place. We have not experienced any significant IT problems in recent years.

Environmental and Health & Safety

Environmental Performance

In connection with our Social, Health & Safety and Product Stewardship programme, we have developed an environmental pillar at the corporate level as well as at the level of our production facilities. We use a certified Group Environmental and Energy Management System (ISO 14001 and ISO 50001) to help us identify, monitor and manage all environmental and energy related aspects of our operations, products and services. All identified aspects are monitored and controlled appropriately to limit their impact and improve our overall environmental performance.

In addition, the Group Environmental and Energy Management System provides us with a framework for periodic compliance checks of legal environmental requirements linked to our operations, products and services; a systematic approach to setting environmental objectives and following up and communicating these objectives and compliance with the objectives to stakeholders.

Currently, eight of our production facilities have been ISO 14001 certified and four production facilities have been ISO 50001 certified. Our headquarters are also ISO 50001 certified. We expect to certify additional production facilities in the future. We have appointed a sustainability manager and expect to expand the scope of this role going forward.

None of our sites have been the subject of any significant environmental prosecutions for violating environmental regulations, licenses or other requirements during the past five financial years.

Health & Safety

As stated in our Corporate Health & Safety Policy, we are committed to providing a safe and healthy work environment for all employees, contractors and visitors. This commitment also extends to ensuring that our operations do not place local communities or the environment at risk of injury, illness or damage.

We monitor incident figures on a monthly basis at the local level and take appropriate action to address any issues as necessary.

Product Details

Babycare Products

Our Babycare products range consists of three product lines: baby diapers, baby pants and baby wipes.

Baby Diapers

Baby diapers are disposable garments made of a waterproof layer, an absorbent core (fluff and super-absorbent powder) and mainly non-woven and elasticized materials. We produce a range of basic to premium quality baby diapers for use by premature babies to older infants (typically up to 3 years old). The definition of a diaper from basic to premium is based on the parameters of absorption, leakage avoidance, rewet capacity, softness and fit. Our basic diaper meets the basic absorption and fit requirements and has no extra features, whereas our premium diaper offers better stretch, softness and absorption.

In the fourth quarter of 2013, we launched the Supercore II baby diaper, which is a thinner diaper in response to the market trend in Europe moving towards thinner diapers with equal or better performance than thicker diapers. We intend to roll out the Supercore II diaper to other markets during the course of 2014.

Baby Pants

When babies reach toddler age, they move from using baby diapers to baby pants, which are absorbent garments resembling underwear used for toilet training infants. Baby pants are made of a cloth-like waterproof outer layer, an absorbent core and elasticized and non-woven materials. Our baby pants have the absorption and features of a taped diaper, but are larger, and the elastic sides allow the toddler to pull the baby pants up and down independently. The target age for baby pants is 1-3 years of age.

Baby Wipes

The baby wipes we produce are synthetic cloths or paper used for cleaning babies.

Feminine Care Products

Our Feminine Care Products include external products, such as sanitary pads and liners, which are used outside the body, and internal products, such as tampons, which are for internal body use. Our Feminine Care Products consist of three product lines: sanitary pads, including classic fluff towels and ultra napkins, panty liners and tampons, each as described below.

Sanitary Pads

Sanitary pads are disposable absorbent pads made of absorbent materials based on fluff and super-absorbent powder and non-wovens, which are used by women to absorb menstrual flow. We produce a range of sanitary pads in different formats and shapes. Some sanitary pads are comparable to baby diapers in terms of product characteristics. Our sanitary pads range from pads for discrete day use to pads for heavy night use, are offered with and without wings, are anatomically shaped for women and may be produced with or without super-absorbent powder.

Fluff Towels

Our fluff towels consist of a backsheet to protect underwear from leakage, an absorbent core in various dimensions consisting of fluff, with or without super-absorbent powder, and a soft textile, like a topsheet. An adhesive strip keeps the fluff towel well positioned during use.

Ultra Napkins

The ultra napkins we produce consist of the same main components as the classic fluff towels except that the absorbent core is made of a thin fluff layer or airlaid structure with super-absorbent powder. Individual wrapping enables the products to be discretely carried around and provides an easy method of hygienically wrapping the used product for disposal.

Panty Liners

Panty liners are thin absorbent pads used to protect underwear. Panty liners are layered, containing a backsheet, absorbent core, a light acquisition and distribution layer, and a soft topsheet. The essential requirements for panty liners are comfort and protection. We produce a range of panty liners because their consumption pattern, as well as their composition, differ across products.

Tampons

We produce a wide range of tampons. These tampons are composed of quality fibers covered by a non-woven layer. We also offer 100% cotton tampons for certain niche markets. There are two main types of tampons which are digital tampons (non-applicator tampons) and tampons with an applicator. Tampons are available in various sizes, which correspond to their absorbency ratings.

Adult Incontinence Products

Adult Incontinence Products are disposable devices specifically designed to absorb and retain urine and feces in order to keep the skin dry and protected. For people with light to medium incontinence, we offer panty liners, small pads and light discrete pants. For people with heavy incontinence, there are pants, two-piece products (pad and pant), all-in-one briefs ("AIO") and belted briefs. Our range includes both light and heavy incontinence products, as well as underpads, which are used to protect beds or other surfaces from leakage.

Light Incontinence

Small shaped pads are designed for the management of light incontinence. These feature a wide adhesive strip to secure the pad in position and anatomic shaping and elastification to help achieve a comfortable fit. Six absorbencies are available, offering solutions for different levels of stress and light incontinence.

Pull-ups

Pull-ups are disposable adult garments resembling underwear with an absorbent core (fluff and super-absorbent powder), a plastic layer, elastics and soft non-wovens. Pull-ups are designed for users with an active lifestyle and can prolong independence. The pants are typically fully elasticized to ensure a close fit.

Belt diapers

Belt diapers are disposable diapers for adults featuring a specific closure system with an absorbent core and non-woven materials. The belt product offers an alternative to all-in-one tape systems and the two-piece shaped pad system. The use of a belt with resealable hook and loop fasteners removes the need for separate fixation pants, making the pad easier to fit and more comfortable. The product also features anti-leak cuffs to minimize leakage.

All-in-one tape systems (AIO)

AIOs are comparable to taped baby diapers in terms of composition and design. They are suitable for moderate to heavy incontinence and cover a wide range of sizes and absorbencies. The products with a textile backsheet feature breathable side panels, as well as fully resealable fixing tapes to ensure a secure fit and anti-leak cuffs to minimize the risk of leakage.

Shaped Pads

Shaped pads are suitable for use with a wide range of types and levels of incontinence. The shaped pads feature a white textile backsheet with a double wetness indicator and anti-leak cuffs to minimize the risk of leakage. Seven absorbencies are available, enabling management of moderate to heavy incontinence.

Belt Products

The belt product offers an alternative to AIOs and the two-piece shaped pad system. The use of a belt with resealable hook and loop fasteners removes the need for separate fixation pants, making the pad easier to fit and more comfortable. The product also features anti-leak cuffs to minimize leakage.

Underpads

Underpads are products to protect beds and seats. They consist of a plastic backsheet, an absorbent thin fluff-mat and a non-woven cover. They are available in a number of sizes and absorbencies.

Employees

Overview

The average number of employees throughout FY 2013 was 4,981 and 4,682 throughout FY 2012. The following tables show, for the last two financial years, average number of employees by geographical area:

	Average number of employees in FTE	
	2013	**2012**
Algeria	292	252
Belgium	981	924
China	135	143
Czech Republic	700	615
France	399	432
Germany	1,049	1,188
Italy	196	4
Pakistan	51	25
Russia	186	159
Spain	313	307
Turkey	511	492
United Kingdom	76	65
Other	92	76
Total	4,981	4,682

Employee Relations

We consider our relations with our employees to be good. The terms and conditions for employees, including working hours, termination rights and benefits, are governed by standard employee contracts together with, in certain circumstances, a variety of collective bargaining agreements. A European Works Council was set up by us for the purpose of discharging certain requirements to inform and consult with employees on an international level.

A majority of our employees in Belgium, France, Spain, Italy and Germany are covered by collective bargaining agreements or represented by trade unions, local works councils or the European Works Council. In Turkey, approximately 70% of our employees were covered by collective bargaining agreements and in Algeria, virtually all of our workers are covered by collective bargaining agreements. Some of our collective bargaining agreements are for an indefinite duration, while a number of our collective bargaining agreements covering certain employees in Belgium, France, Spain, Turkey, Italy and Germany will expire in 2014 or 2015. We are in the process of negotiating most of these collective bargaining agreements.

Our employees in Poland, the Czech Republic and the United Kingdom are not represented on the European Works Council and no collective bargaining agreements are applicable to our employees in the United Kingdom, the Czech Republic, Poland, Italy, Russia, China, Morocco or Pakistan.

Employee Incentives

We seek to incentivize our employees in a number of ways. The principal method we employ to achieve this is awarding key managers bonuses pursuant to our management incentive program. Under our management incentive program, employees may receive a bonus equal to a certain percentage of their basic salary upon the achievement of certain personal and business goals.

We also award bonuses to certain employees, in particular to our sales team, which are dependent upon the level of sales achieved by the relevant team.

Pensions

We make payments on a defined contribution basis to both state and private pension arrangements across our operations. In addition, we operate a defined benefit insurance scheme in Belgium and we also have an obligation to make severance payments to employees upon their retirement in France and Turkey.

We also operate several unfunded pension arrangements in respect of our German operations. The German operations do not fund the pension arrangements but reflect pension scheme liabilities in company accounts on an IAS 19 basis. The pension benefits are paid by the relevant company as they fall due.

Ontex Recklinghausen GmbH Settlement

On November 28, 2012 an agreement to settle potential claims with respect to the closure of the Recklinghausen production facility, as well as a social plan, was signed. The agreement and social plan provide for a severance payment to each worker equal to 1.1 times the worker's monthly salary per year of employment (amounting to approximately €16.7 million), a production bonus payable from December 2012 (amounting to approximately €1.5 million) and the allocation of a budget of approximately €6.0 million to an outplacement firm for purposes of providing services such as retraining and job search assistance to idled workers.

Villefranche Closure

From February 2012 to March 2013, 123 employees filed a lawsuit before the Employment Court (*Conseil de Prud'hommes*) of Villefranche-sur-Saône, France, in which they claimed compensation in the total amount of approximately €5.4 million for the termination of their employment agreement following the closure of the facility.

Ontex Hygienic Disposables

Comments for the financial year ended December 31, 2013

Successful Execution of 2013 Priorities Delivers Solid Performance

- Reported Group Sales amounted to €1,491.9 million, representing a 14.0% increase year-on-year;
    - Sales up 8.1% year-on-year at constant currency and excluding Serenity
- Adjusted EBITDA grew by 16.6% to €175.0 million;
- Adjusted EBITDA margin of 11.7% for the full year (up 26 bps year-on-year) and 12.1% for the fourth quarter;
- 74.2% increase in Free Cash Flow amounting to €103.8 million as of 31 Dec 2013 on the back of improved profitability and working capital management;
- Net Debt at €849.3 million as of 31 Dec 2013
    - €61.3 million of cash and cash equivalents as of 31 Dec 2013
    - RCF fully repaid as of 31 Dec 2013

Charles Bouaziz, CEO of Ontex, commented: *"The 2013 results demonstrate the Group's ability to adapt its strategy and operational structure to the changes in the market environment. This flexible approach has been further underpinned by the successful uptake of a sizeable portion of the revenue opportunity presented by the withdrawal of Kimberly Clark in Western Europe and growth delivered in the Eastern European businesses from an increase in sales to existing customers. In addition to this, the MEA region also performed well with sales outside Turkey now representing over 50% of the MEA division.*

"The Healthcare business was further strengthened by the seamless integration of Serenity, with financial and operational synergies being delivered in line with expectations. Furthermore, the Group continued to drive efficiencies in the Healthcare client portfolio as well as optimising its group-wide manufacturing footprint through increased integration of the manufacturing, procurement and R&D functions, as well as the closure of the Recklinghausen facility."

Market Dynamics

Whilst the overall economic conditions continued to be challenging throughout 2013 and retailers for the most part remained focused on price and promotional activities, Management observes that retailers' attention towards quality and innovation started to grow, in particular in Western Europe. We see that retailer brands are increasingly seen as real brands, and that retailers are actively promoting their brands. This trend coupled with the effective exit of Kimberly Clark (K-C) from the baby diaper market in Western Europe, resulted in Ontex benefitting from volume gains in the baby diaper market.

Other macro factors, such as raw material prices, remained in line with expectations throughout 2013. The temporary inventory surplus, resulting from a precautionary stock build up at the end of 2012 on the back of a combination of the K-C withdrawal, the Recklinghausen facility closure and disruptions in the superabsorber supply chain, were resolved during the first half of 2013, which led to normalised inventory levels by the end of the year.

Adverse currency movements, in particular from the British Pound, Turkish Lira, Russian Rouble and Australian Dollar impacted sales and adjusted EBITDA, especially in the second half of the year. These currency headwinds have been partially mitigated by the fluctuations of the US Dollar against the Euro and, in some instances, by incurring costs in the local denominated currency, such as in Turkey. The Group continues to actively monitor currency movements and implement various strategies, such as hedging, to mitigate volatility in raw material prices and fluctuations of foreign exchange rates.

Financial Review

Reported Group sales amounted to €1,491.9 million for FY 2013 and represents a 14.0% increase compared to FY 2012. At constant currency and excluding the Serenity acquisition, sales were up 8.1%. On a divisional basis, growth was largely driven by Retail and MEA which respectively posted sales growth at constant currency of 8.2% and 17.7% on the back of strong volume growth – in retail through the capture of the K-C opportunity, and in MEA through greater penetration in the Turkish market and expansion in newly targeted countries such as Morocco and Pakistan. Sales in Healthcare at constant currency and excluding Serenity were up 2.1% year-on-year reflecting the product and client portfolio rationalisation undertaken earlier in 2013. On a product basis, Feminine Care was up 6.5% year-on-year at constant currency and excluding Serenity as a result of additional contract wins, including in the UK, whereas Babycare and Incontinence products posted sales growth at constant currency, and excluding Serenity, of 11.2% and 3.3%, respectively. Ontex's geographical mix further diversified throughout the year, with Eastern Europe and Rest of the world regions totalling 31.6% of total reported Group sales and, excluding Serenity and at constant currency, growing at 9.6% and 18.2%, respectively in FY 2013. Through the acquisition of Serenity and internal developments of its branding strategy, in particular in the MEA region, the Group continued to grow its branded business, which represented 37.7% of total sales in FY 2013.

Adjusted EBITDA for the year was €175.0 million, up 16.6% year-on-year. The adjusted EBITDA margin for the year was 11.7%, an improvement of 26 basis points compared to FY 2012 despite a negative currency impact of €19.3 million for the year. The overall growth of the business, combined with greater efficiencies as well as the Serenity acquisition, led to improved profitability.

Free Cash Flow generation for the year amounted to €103.8 million, a 74.2% increase on the previous year. Aside from an increased adjusted EBITDA contribution, working capital requirements have been limited in 2013 through improved management of the receivables and payables as well as a return to normalised stock levels. As such, working capital consumption amounted to €13.7 million in 2013 compared to €32.8 million the previous year.

Capex spend decreased by 20.6% year-on-year and totalled €42.8 million in FY 2013, in line with expectations, driven by the completion of the prior investments towards the end of 2012.

Cash Taxes paid were impacted by the Serenity acquisition in FY 2013 and amounted to €14.7 million, compared to €3.8 million in FY 2012. As indicated previously, cash taxes paid in FY 2012 was positively impacted by the receipt of a German tax refund.

Cash and Cash equivalents stood at €61.3 million on December 31, 2013. This represents an improvement of 57.6% or €22.4 million compared to December 31, 2012, and is mostly attributable to the improved free cash flow during the year. The last portion of the Group's RCF was repaid in the fourth quarter of 2013 and as of 31 December 2013, the RCF was undrawn at €75.0 million. As a result, available liquidity totalled €136.3 million at the end of the year. Group factoring lines, including the factoring line granted to Serenity, amounted to €171.5 million as of December 31, 2013, of which €121.2 million was drawn down.

Operational review

On September 13, 2013 the Group entered into forward currency hedge contracts, maturing before January 1, 2014, in order to limit fluctuations in the business resulting from exposure to sales in the British Pound, Polish Zloty, Turkish Lira, Australian Dollar and Russian Rouble as well as purchases in U.S. Dollar in Q4 2013. At the end of 2013, the Group decided to enter into new forward currency contracts for 2014 for these major currencies, and in addition the Group entered into a forward currency contract to hedge the purchases in Czech Crown, all maturing within twelve months after contract conclusion.

In 2013, the Management team has continued to roll out Ontex's strategy to achieve profitable growth through incontinence and emerging markets by leveraging favourable demographics, sociocultural changes and economic developments in more remote geographies. In addition, the Group completed a number of key operational projects in 2013, such as the acquisition and integration of Serenity and closure of Recklinghausen, leading to a Group's manufacturing footprint that Management judges competitive. Furthermore, Ontex believes that through closer relationships and a more integrated approach with its customers in terms of innovation, category management and a selective approach to branding (both local and retailer brands), additional value can be generated.

In order to support the operational course of action outlined by the management team, the Group refined certain operational structures in the third quarter of 2013. Whilst the majority of the team remains unchanged, a few changes have been implemented to enhance Ontex's current value proposition:

- Taking a more targeted approach to Retail in mature markets as well as growth markets through the creation of two distinct businesses and management roles within the Retail division;
- Renewing focus on the supply chain to further leverage the current manufacturing footprint;
- Deploying a more integrated approach towards the Group's customers, new competencies have been added in marketing and sales, reporting into the CEO with a focus on account management, category management and championing local brands. R&D and Innovation is also now directly reattached to the CEO as these are core elements of this integrated approach;
- From a reporting perspective, the Turkey division has been renamed the MEA division, to better reflect the sales mix and commercial strategy;
- In order to improve talent management and the performance culture, a new central HR function has been created, reporting into the CEO; and
- Finally, to ensure execution under the existing financial framework and to further drive efficiencies in the Group, Finance Directors of the divisions now report on a dotted line basis to the Group CFO.

Internal reporting processes have been adapted to this new organisation and will also be reflected in the external disclosure going forward, which will effectively lead to the split of the Retail division into Mature Market Retail and Growth Markets divisions, whilst Healthcare and MEA will remain unchanged. A reconciliation of the FY 2013 figures have been provided in the bondholder presentation dated 12 March 2014 and the Group will provide historical performance figures on a comparative basis going

Ontex Hygienic Disposables

forward. As such, reporting under the new structure will become effective from the disclosure of Q1 2014 earnings onwards.

2014 Priorities

Looking ahead, the Management team remains committed to driving Ontex's transformation agenda in order to achieve sustainable and profitable growth. This will be achieved by building on the momentum in the diaper market and continued focus on incontinence, emerging markets and branding. As such, the following operational objectives have been outlined to support the ongoing transformation process:

- Continue to improve business processes;
- Foster innovation and client centricity; and,
- Develop talent and industry expertise.

With the re-organisation complete and teams in place to capitalise on growth opportunities, priorities for 2014 will be centered around:

- Continuing to pursue top-line growth across geographies and divisions;
- Maintaining focus on margins;
- Rolling out latest product innovation, Supercore II thin diapers, to key markets and more generally continuing to work on the innovation pipeline to meet customer needs;
- Preparing for capacity extension where needed;
- Further enhancing our competitive strengths with existing and prospective customers, through leadership positions in retailer brands and high quality Ontex brands among others.

During 2013, Ontex delivered strong results despite a challenging macro environment through a flexible strategic approach across all regions. Building on 2013 momentum, Ontex will continue to drive efficiencies across the Group to drive sustainable and profitable growth in the long term.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Group Revenues

Year ended December 31, 2013 ("FY 2013")

Group Sales amounted to €1,491.9 million in FY 2013, a 14.0% increase compared to FY 2012. At constant currency, Sales were up 16.4%. During the year, the Group had strong growth in Babycare products as a result of capturing additional contracts following the exit of Kimberly Clark (K-C) from Western Europe. Sales in Western Europe increased by 16.0% year-on-year, on the back of the K-C exit, further penetration of the retailer brand market and through the acquisition of Serenity in April 2013.

Sales grew by 7.4% and 11.7% in Eastern Europe and the Rest of the World, respectively. The benefits of the contract gains from the withdrawal of K-C in Western Europe started to filter through in Q2 2013 with the full impact seen from Q4 2013. Despite this, the Group maintained Sales outside Western Europe at 31.6% of total Sales in 2013 compared to 32.8% in 2012.

On a divisional basis, growth was largely driven by Healthcare (+40.7%) and MEA (+11.1%), whilst Sales in Retail demonstrated an increase of 6.3%.

Revenues by Geographic Area

Year ended December 31, 2013

Revenue from Western Europe increased by €140.6 million, or 16.0%, from €880.1 million for the year ended December 31, 2012 to €1020.7 million for the year ended December 31, 2013. At constant currency, revenue from Western Europe increased by 17.2%. The increase was primarily due to the impact of the Serenity acquisition. At constant currency and excluding the impact of the Serenity acquisition, revenue from Western Europe increased by 4.9%. This growth was primarily attributable to increasing retailer brand penetration in the United Kingdom and Ireland following the exit of Kimberly Clark from the Western European baby diaper market and the disappearance of its Huggies brands from retailers' shelves. Retailers were successful in gaining consumers that previously purchased Huggies branded diapers. Revenue in Spain was also favorably impacted by the exit of Kimberly Clark and we gained an important retailer brand contract from Kimberly Clark in Belgium. Revenue in Germany was lower than in 2012, mainly because of the continued impact of the contracts we lost in 2011 following price increases. The growth in Western Europe was partially offset by adverse currency movements, in particular in relation to the British Pound.

Revenue from Eastern Europe increased by €13.6 million, or 7.4%, from €183.7 million for the year ended December 31, 2012 to €197.3 million for the year ended December 31, 2013. At constant currency, revenue from Eastern Europe increased by 9.9%. The growth in revenue was driven by sales in Poland, where the introduction in 2012 of a new product range with a major Polish retailer contributed to strong growth, and by strong sales of adult incontinence products in Russia. Poland and Russia together accounted for 72.4% of revenue in Eastern Europe in 2013, compared to 70.0% in 2012. This growth was offset by adverse currency movements in relation to the Russian Rouble and the Polish Zloty.

Revenue from the Rest of the World increased by €28.7 million, or 11.7%, from €245.2 million for the year ended December 31, 2012 to €273.9 million for the year ended December 31, 2013. At constant currency, revenue from the Rest of the World increased by 18.3%. The increase was primarily

due to continued strong growth in emerging markets such as Algeria, Pakistan and Morocco, but also due to a strong growth in Australia, where we commenced local production in 2011. The increased revenue from Pakistan led to the decision to open a small production facility in that country, which commenced operations in the fourth quarter of 2013. This growth was partially offset by adverse currency movements, mainly in relation to the Turkish Lira and Australian Dollar. The top three countries in the rest of the world region, Turkey, Australia and Algeria, accounted for 68.2% of revenue for the region in 2013.

By geographic area:	Full Year		Q4	
(in € million)	2013	2012	2013	2012
Western Europe	1,020.7	880.1	269.5	218.5
Eastern Europe	197.3	183.7	51.1	51.3
Rest of the World	273.9	245.2	63.6	62.6
Total Group Sales	**1,491.9**	**1,309.0**	**384.2**	**332.4**

Revenues by Division

Year ended December 31, 2013

Sales in the Retail division grew by 6.3% from €878.5 million in FY 2012 to €933.8 million in FY 2013. At constant currency, sales increased by 8.2%.

The division's growth is largely due to the increasing share of retailer brands in several countries where Kimberly Clark has exit the baby diaper market, and strong sales in Russia, especially of adult incontinence retailer brands. The Group continued to perform well in mature Retail markets, such as the UK and Poland, through strengthened collaboration with customers.

Due to the different dynamics within mature and growth markets, Ontex has decided to split the reporting structure of the retail division into Mature Market Retail and Growth Markets to better match the different market dynamics. Going forward, the Group will disclose Sales for its mature and growth markets separately in order to bring disclosure in line with the internal reporting structure.

Sales in the Healthcare division grew by 40.7% from €269.9 million in FY 2012 to €379.7 million in FY 2013. The majority of the growth came from the integration of Serenity with Sales at constant currency and excluding Serenity growing by 2.1%. The growth excluding Serenity was mainly due to continued strong performance in the home delivery segment, partially offset by the effects of a product and client rationalization exercise which was aimed at eliminating less profitable business. The Group has also successfully re-launched its iD products with a differentiated marketing strategy to capitalize on the opportunity through a targeted customer-centric approach.

Revenue from the Middle East and Africa Division increased by €17.8 million, or 11.1%, from €160.6 million for the year ended December 31, 2012 to €178.4 million for the year ended December 31, 2013. At constant currency, revenue from the Middle East and Africa Division increased by 17.7%. The increase was primarily due to strong growth in Algeria, Morocco and Pakistan, partially offset by adverse currency movements, mainly in relation to the Turkish Lira. The proportion of our revenue from outside of Turkey increased, leading to a decrease in our relative exposure to the Turkish Lira. Turkey accounted for 49.7% of the Middle East and Africa Division's revenue in 2013, compared to 55.0% in 2012.

By division: (in € million)	Full Year 2013	Full Year 2012	Q4 2013	Q4 2012
Retail	933.8	878.5	236.8	223.0
Healthcare	379.7	269.9	106.7	69.9
MEA	178.4	160.6	40.7	39.5
Total Group Sales	**1,491.9**	**1,309.0**	**384.2**	**332.4**

Revenues by Product group

Year ended December 31, 2013

Revenue from Babycare products increased by €60.4 million, or 8.4%, from €722.8 million for the year ended December 31, 2012 to €783.2 million for the year ended December 31, 2013. At constant currency, revenue from Babycare products increased by 11.4%. One of the main factors contributing to the increase in revenue from Babycare products in 2013 was Kimberly Clark's exit of the Western European diaper market, which it announced in 2012. Retailers' reaction to Kimberly Clark's exit differed by country but in general we believe that we have captured a share of Kimberly Clark's volumes that is commensurate with our position in the market. More specifically, the disappearance of the Huggies brand from retailers' shelves has led to an increase of the share of retailer brands in the United Kingdom and Ireland, from which we benefited. In addition, strong growth in Eastern Europe, mainly in Poland and Russia, and in the Middle East and Africa contributed to growth in revenue from Babycare products.

Revenue from Feminine Care products increased by €10.1 million, or 5.4%, from €187.4 million for the year ended December 31, 2012 to €197.5 million for the year ended December 31, 2013. At constant currency, revenue from feminine care products increased by 6.5%. The increase was primarily due to new contracts in various markets including the United Kingdom, as well as growth in sales from existing customers.

Revenue from Adult Incontinence products increased by €111.0 million, or 29.2%, from €379.6 million for the year ended December 31, 2012 to €490.6 million for the year ended December 31, 2013. At constant currency and excluding the impact of the Serenity acquisition, revenue from adult incontinence products increased by 3.3%. The increase was primarily due to the continued strong performance in Russia.

By product group: (in € million)	Full Year 2013	Full Year 2012	Q4 2013	Q4 2012
Babycare	783.2	722.8	194.6	181.9
Femcare	197.5	187.4	49.2	46.0
Adult Incontinence	490.6	379.6	134.6	98.2
Other (Traded goods)	20.6	19.2	5.8	6.3
Total Group Sales	**1,491.9**	**1,309.0**	**384.2**	**332.4**

Cost of Sales

Year ended December 31, 2013

Cost of sales increased by €106.5 million, or 10.8%, from €988.3 million for the year ended December 31, 2012 to €1,094.8 million for the year ended December 31, 2013. Cost of sales represented 73.4% of our revenue for the year ended December 31, 2013, compared to 75.5% for the year ended December 31, 2012, reflecting a gross margin of 26.6% and 24.5%, respectively. Approximately 70 basis points of the increase in gross margin was attributable to the Serenity acquisition. Serenity is primarily a branded healthcare business focused on home delivery and has a higher gross margin (but higher distribution and sales and marketing expenses) than our consolidated gross margin. Production costs were positively impacted by the closure of the Recklinghausen production facility in March 2013. This was partially offset by an adverse impact of approximately 90 basis points resulting from fluctuations in foreign currencies. This adverse impact was more than offset by efficiency gains from R&D activities and price negotiations led by our central procurement department as well as the effect of higher volumes to absorb fixed costs. Raw materials prices were relatively stable in 2013 compared to 2012 and had only a marginal adverse effect on our gross margin.

Operating Expenses

Year ended December 31, 2013

Total operating expenses (defined as the sum of distribution expenses, sales and marketing expenses, general and administrative expenses, other operating income but excluding non-recurring expenses) amounted to €253.6 million in FY 2013 compared to €201.4 million in FY 2012, an increase of 26.0%.

Distribution expenses increased by 25.5% and represented 9.1% of our revenue for the year ended December 31, 2013 compared to 8.3% for the year ended December 31, 2012. The increase of distribution costs as a percentage of revenue was mainly due to the acquisition of Serenity, a healthcare business with a high proportion of home delivery, which entails higher distribution costs than the average of the Group. In addition, the increase in sales in growth market countries, particularly Russia, has contributed to the higher distribution expenses.

Sales and marketing expenses increased by 21.5% and represented 5.2% of our revenue for the year ended December 31, 2013, compared to 4.9% for the year ended December 31, 2012. The increase was primarily due to additional sales and marketing investments in the sales force for the Healthcare and Middle East and Africa divisions, as well as revenue growth.

General administrative expenses increased by 33.7% primarily due to costs associated with the transition of our executive management teams as well as additional investments in support functions.

Adjusted EBITDA – Non-IFRS measure

Year ended December 31, 2013

Adjusted EBITDA for FY 2013 was €175.0 million, an increase of €24.9 million or 16.6% from €150.1 million for FY 2012. Currencies impacted adjusted EBITDA negatively by €19.3 million. In percentage of sales, adjusted EBITDA represented 11.7% of total sales in FY 2013 compared to 11.5% in 2012.

Non-recurring expenses

Year ended December 31, 2013

Total non-recurring expenses amounted to €19.6 million for 2013 compared to €50.4 million for FY 2012. The costs incurred during the year ended December 31, 2013 were mainly related to the acquisition of Serenity (€8.2m), impairment losses (€4.3m) and to factory closures (€4.2m), while the costs incurred during the year ended December 31, 2012 were mainly related to the Recklinghausen factory closure. Details of non-recurring expenses are included in the respective financial statements for the financial years ended 2013 and 2012. Non-recurring expenses, excluding depreciations and amortizations (which are used to reconcile adjusted EBITDA mentioned below), amount to €17.3 million in 2013 and €50.1 million in 2012.

EBITDA –Non-IFRS measure

Year ended December 31, 2013

Earnings before interest, tax, depreciation and amortization (EBITDA) was €157.7 million for FY 2013, an increase of €57.7 million or 57.7% from €100.0 million for FY 2012. The increase was primarily due to growth in revenue as well as greater operational efficiency despite adverse foreign exchange movements, as well as lower non-recurring expenses.

Operating profit (loss)

Year ended December 31, 2013

Operating profit for 2013 was €123.9 million, an increase of €55.0 million or 79.8% from €68.9 million in FY 2012, supported by the acquisition of Serenity, as well as lower non-recurring expenses compared to FY 2012. Operating margin was 8.2% for 2013, compared to 5.2% for 2012.

Net finance costs

Our finance costs primarily represent the interest paid by us or accrued on our financial debt, the amortization of the transaction costs incurred in relation to financial debt, exchange rate differences and any gains or losses on derivatives.

Our finance income primarily represents interest received on our short-term deposits, as well as any gains on derivatives and exchange rate differences.

Year ended December 31, 2013

Net finance costs increased by 20.0% over the period at €84.0 million in FY 2013 compared to €70.0 million for FY 2012. Finance costs in 2013 were impacted by increased interest expense resulting from the tap offering of senior secured notes in February 2013, to finance the Serenity acquisition, and higher net foreign exchange losses. Overall finance costs increased from €88.1 million in FY 2012 to €101.9 million in FY 2013. Finance income was marginally lower in FY 2013 at €17.9 million compared to €18.1 million for FY 2012.

Income tax

Year ended December 31, 2013

Income tax for FY 2013 was €14.0 million compared to €6.8 million for FY 2012. The increase was primarily due to the increase in profit before income tax as a result of stronger performance as well as the consolidation of Serenity. Our effective tax rate for 2013 was 36.4%. The effective tax rate was affected by the incurrence of non-deductible interest expense in the amount of €26 million at Ontex International, which arose as a result of the financing arrangements put in place on the acquisition of Ontex in 2010. Our tax charge in 2012 was affected by the receipt of a tax refund in Germany.

Profit/(Loss) for the period

Year ended December 31, 2013

The profit in FY 2013 was €25.9 million, compared to the loss of €7.9 million for FY 2012.

Liquidity and Capital resources

Free Cash Flow (FCF)

We define FCF as adjusted EBITDA, adjusted for changes in Working Capital, minus income tax paid and minus capital expenditure.

Year ended December 31, 2013

Free Cash Flow generation for the year amounted to €103.8 million, an increase of 74.2% over FY 2012. The increase was due to a higher adjusted EBITDA, lower working capital consumption and lower capital expenditures, slightly offset by higher cash taxes paid. Working capital consumption for the year was €13.7 million compared to €32.8 million the year before. This was mainly due to the inventory surplus built up ahead of the K-C exit and Recklinghausen closure unwinding as new contracts were won, and partly due to the build- up of inventory of super-absorber at the end of 2012 to anticipate possible sourcing problems following the explosion at Nippon Shokubai in Japan, a major producer of super-absorbents. Total capex spent for the year was €42.8 million. Total cash taxes paid in FY 2013 of €14.7 million were higher than the previous year, primarily attributable to the Serenity acquisition, to the growth of the business and to the fact that 2012 cash taxes paid were influenced by a German tax refund.

FCF calculation:	**Full Year**		**Q4**	
(in € million)	**2013**	**2012**	**2013**	**2012**
Adjusted EBITDA	**175.0**	**150.1**	**46.5**	**40.3**
Changes in Working Capital	(13.7)	(32.8)	20.2	(9.3)
Cash taxes paid	(14.7)	(3.8)	(5.5)	(2.4)
Capex	(42.8)	(53.9)	(9.4)	(13.5)
FCF	**103.8**	**59.6**	**51.8**	**15.2**

Group's Cash Flow Statement

Year ended December 31, 2013

Cash flow from operating activities increased by €11.1 million from €87.3 million for the year ended December 31, 2012 to €98.4 million for the year ended December 31, 2013. The increase was due to improved operational performance as well as the sale in 2013 of the extra inventories held at December 31, 2012 linked to the closure of the Recklinghausen factory, the exit of Kimberly Clark from the baby diaper market in Western Europe and the safety stock of super-absorber built up at the end of 2012 following the explosion in the Nippon Shokubai plant in Japan.

Cash flow used in investing activities decreased by €11.5 million from €54.3 million for the year ended December 31, 2012 to €42.8 million for the year ended December 31, 2013. The decrease was due to lower capital expenditure following high capital expenditure in 2012 in relation to capacity extension across our production facilities, including investments in new machines, across all three product categories.

Cash outflow from financing activities was €33.2 million in FY 2013 compared to an outflow of €59.6 million in FY 2012. The decrease was due to additional proceeds from factoring, partially offset by the payment of fees in relation to the issuance of the €75 million additional Senior Secured Fixed Rate Notes.

As a result of the factors described above, the overall cash inflow in FY 2013 was €22.4 million (compared to an outflow of €26.6 million in FY 2012) and the cash and cash equivalents at December 31, 2013 amounted to €61.3 million, compared to €38.9 million at December 31, 2012.

Working Capital

The decrease in working capital for the year ended December 31, 2013 was €13.7 million, compared to €32.8 million for the year ended December 31, 2012. The decrease was mainly due to the sale in 2013 of the extra inventories held at December 31, 2012 linked to the closure of the Recklinghausen production facility.

Capital Expenditure

Total capex spent for the year was €42.8 million compared to €53.9m in the year ended December 31, 2012.

Material Commitment and Contingencies

Contractual Commitments

The table below summarizes our material contractual obligations as of December 31, 2013:

	Payments due by period (€ in millions)			
Contractual Obligations	**Total**	**less than 1 year**	**1-5 years**	**more than 5 years**
7.5% Senior Secured Notes	522.0	29.6	492.4	-
Senior Secured Floating Rate Notes	340.7	12.4	328.3	-
Senior Unsecured Notes	346.9	21.2	84.6	241.1
Operating leases	53.4	13.0	28.6	11.8
Purchase obligations	2.0	2.0	-	-
Total	**1,265.0**	**78.2**	**933.9**	**252.9**

Our ability to make scheduled payments of principal, or to pay the interest on, or to refinance, our indebtedness (including the Senior Secured Notes and Senior Notes), or to fund planned capital expenditures and working capital, will depend on our future performance and our ability to generate cash in the future, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors that are beyond our control, as well as to other factors discussed under "Risk Factors."

Working Capital

In the opinion of the Company, the working capital available is sufficient for the Company's present requirements.

We primarily use surplus cash for general corporate purposes. Otherwise, we deposit surplus cash in either money market or deposit accounts held with banks. These deposits are made for fixed terms and interest is generally payable to us at the market rate for deposits.

Group Cash Management

Our Group-wide cash management is centralized to the extent possible and reasonable. Our operating subsidiaries keep liquidity only to the extent needed for their daily operations. Any surplus liquidity in our operating subsidiaries is transferred to Ontex Coordination Center. Surplus liquidity is used for our general corporate purposes.

BNP Paribas Fortis Factoring Agreement

To optimize our cash management, we entered into a factoring agreement (the "BNP Paribas Fortis Factoring Agreement") on July 28, 2008 with BNP Paribas Fortis Factor NV (the "Factor"). The BNP Paribas Fortis Factoring Agreement provides us with a credit facility of up to €125 million and up to 90% of the amount of the approved outstanding receivables on all debtors that we transfer to the Factor. The remaining 10% of the relevant receivables is paid by the Factor to us upon receipt of payment from the relevant debtor. Financing per debtor is capped at 10% of the aggregate amount of all approved outstanding receivables transferred to the Factor. Any financing within the credit limit is non-recourse

to us. The total amount drawn on the BNP Paribas Fortis Factoring line was €106.0 million as of December 31, 2013.

Italian Factoring Agreements

To partially finance the working capital needs of Serenity, we entered into two additional factoring agreements (the "Italian Factoring Agreements"), including an agreement with Ifitalia and an agreement with Mediofactoring. The agreement with Ifitalia provides for a credit facility in the maximum amount of €30 million. The agreement with Mediofactoring provides for a credit facility that is allocated on a per debtor basis. Both of the Italian Factoring Agreements provide for the financing of receivables of approved debtors and up to the allocated credit limit on a non-recourse basis. The Italian Factoring Agreements provide us with a credit facility of up to €46.5 million. The total amount drawn on the factoring facilities as of December 31, 2013 was €15.2 million.

Foreign exchange risk

We operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the British Pound, Turkish Lira, Polish Zloty, Australian Dollar and Russian Rouble in relation to sales, and the U.S. Dollar and Czech Crown in relation to procurement. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. We also have exposure to the Turkish Lira, Algerian Dinar, Russian Rouble, Czech Crown, Australian Dollar and Pakistani Rupee due to our net investments in foreign operations. In the year ended December 31, 2013, we generated 38.3% of our revenue in currencies other than Euros and our purchases of raw materials, primarily fluff, in the U.S amounted to $189.5 million.

To manage our foreign exchange risk arising from future commercial transactions, recognized assets and liabilities, we use forward exchange contracts. Foreign exchange risk arises when future commercial transactions, recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. Our treasury is responsible for monitoring the net position in each foreign currency when possible and appropriate. We apply hedge accounting for hedge related transactions and the impact of the revaluation is recognised in other comprehensive income.

We entered into foreign exchange forward contracts in December 2013, maturing through in December 2014, in order to limit volatility in our business resulting from exposure to sales in British Pound, Polish Zloty, Turkish Liras, Australian Dollars and Russian Roubles as well as purchases of raw materials in U.S. Dollars and Czech Crown during 2014.

Interest rate risk

Our interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose us to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose us to fair value interest rate risk. These risks are managed centrally by our treasury team taking into account our expectations with respect to the evolution of the market rates. Our debt principally consists of the Notes, which are subject to fixed and floating interest rates.

Commodity price risk

We have exposure to the price of oil because certain raw materials used in production are manufactured from oil derivatives. These include glues, polyethylene, propylene and polypropylene.

We have sought to manage our raw material costs through hedging. For example, we entered into an Oil Brent Call Option in July 2010 for a measured quantity of oil barrels (1,900,000) for the period from July 2010 through September 2013. The option reached its maturity on September 15, 2013 and has not been replaced. The nominal amount of the oil hedge outstanding as of December 31, 2013 is zero (2012: €31.5 million).

Credit risk

Credit risk is managed on a Group-wide basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to corporate customers, including outstanding receivables and committed transactions. We assess the credit quality of the customer, taking into account its financial position, past experience and other factors based on which individual risk limits are set in accordance with the limits set by business managers. Historical default rates have been below 1% in 2013, 2012 and 2011. Trade receivables are spread over different countries and counterparties and there is no large concentration with one or a few counterparties.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets on the statement of financial position.

Liquidity risk

Our policy on liquidity risk is to maintain flexibility in funding by keeping a minimum specific amount of liquid resources available. We produce regular cash forecasts to identify our liquidity requirements over the coming 12 months and manage our exposure to liquidity risk through maintaining a diversity of funding resources. We have access to a Revolving Credit Facility in addition to our existing borrowings to meet any shortfalls. We have also entered into the BNP Paribas Fortis Factoring Agreement as a way of enhancing liquidity.

Our treasury team monitors rolling forecasts of our liquidity requirements to ensure we have sufficient cash to meet operational needs while maintaining sufficient headroom on our undrawn committed borrowing facilities at all times so that we do not breach borrowing limits or covenants (where applicable) on our borrowing facilities.

Hedging Committee

We have a hedging committee in place, currently at the level of ONV Topco NV, which meets quarterly. The purpose of the committee is to assist the Board of Directors in defining and implementing policies to utilize financial hedging instruments to mitigate foreign exchange and commodity risks. The Board of Directors of ONV Topco NV adopted a hedging committee charter, setting up guidelines for the activities of the committee. The committee (i) will hedge only foreign exchange and commodity risks (collectively, the “Risks”); (ii) will not engage in speculative trading (i.e., take positions with no underlying Risks); (iii) will only take positions that hedge exposure for a period of less than one year; (iv) will only trade with counterparties that have been previously approved by the Board of Directors; (v) will only trade within pre-defined “trading windows;” and (vi) will only execute hedges that qualify for hedge accounting treatment. The committee shall submit a hedging “strategy” to the Board of Directors for approval which quantifies the overall Risk exposure, specifies the Risks that it intends to hedge, indicates the instruments it intends to use and the specific counterparties it intends to trade with and the trading windows. The committee shall report its actions and recommendations to the Board of Directors after each committee meeting.

Critical Accounting Estimates and Judgments

Our consolidated financial statements are prepared in accordance with IFRS. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. Changes in the economic environment, financial markets and any other parameters used in determining such estimates and judgments could cause actual results to differ.

Our accounting policies are more fully described in Note 3 to our audited consolidated financial statements included elsewhere in this report. We believe the following policies to be the most significant policies that require management to consider matters that are inherently uncertain or to make subjective and complex judgments.

Income taxes

We have tax losses and tax credits usable to offset future taxable profits, mainly in France and Belgium, amounting to €566.7 million at December 31, 2013.

We have not fully recognized deferred tax assets in this respect. The valuation of these assets depends on a number of judgmental assumptions regarding the future probable taxable profits of different Group subsidiaries in different jurisdictions and on the outcome of tax planning strategies. These estimations are made prudently on best current knowledge. Where circumstances should change and the final tax outcome would be different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Overall, the rationale for not recognizing deferred tax assets in respect of tax losses and tax credits is based on the fact that the losses are mainly generated as a consequence of the historic financing structure, the modification of which depends on future events. Although the Group has planned certain restructurings, these will only be taken into account for recognizing deferred tax assets upon implementation.

Impairment of goodwill

We test annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. As of December 31, 2013, we used a pre-tax discount rate of 10.6%, 10.7% and 10.9% for our Retail, Healthcare and Middle East and Africa cash-generating units, respectively.

Future cash flows are estimates that are likely to be revised in future periods as underlying assumptions change. Key assumptions in supporting the value of goodwill include long-term interest rates and other market data. Should the assumptions vary adversely in the future, the value in use of goodwill may reduce below their carrying amounts. Based on current valuations, headroom appears to be sufficient to absorb a normal variation in the underlying assumptions.

Expected useful lives

The expected useful lives of our property, plant and equipment and intangible assets are estimated based on management's judgment and are reviewed annually at each financial year-end.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. Management uses its judgment to select a variety of methods and make assumptions that are based primarily on market conditions existing at the end of each reporting period.

Employee benefits

The carrying amount of our employee benefit obligations is determined on an actuarial basis using certain assumptions, which include the discount rate.

The determination of the discount rate depends on the duration of the benefit, i.e., the average duration of the engagements, weighted with the present value of the costs linked to those engagements. According to IAS 19, the discount rate has to correspond to the rate of high-quality corporate bonds of similar term to the benefits valued and in the same currency.

A change in the discount rate by 1% would not have a material impact on our employee benefit liability.

Selected Financial Information

CONSOLIDATED INCOME STATEMENT

In € million	Dec 31, 2013	Dec 31, 2012
Revenue	1,491.9	1,309.0
Cost of sales	(1,094.8)	(988.3)
Gross margin	**397.1**	**320.7**
Distribution expenses	(136.3)	(108.6)
Sales and marketing expenses	(78.0)	(64.2)
General administrative expenses	(39.7)	(29.7)
Other operating income/(expense), net	0.4	1.1
Non-recurring expenses ([1])	(19.6)	(50.4)
Operating profit	**123.9**	**68.9**
Finance income	17.9	18.1
Finance costs	(101.9)	(88.1)
Net finance cost	**(84.0)**	**(70.0)**
(Loss) / Profit before income tax	**39.9**	**(1.1)**
Income tax expense	(14.0)	(6.8)
(Loss) for the year from continuing operations	**25.9**	**(7.9)**
(Loss) for the year	**25.9**	**(7.9)**

(1) Non-recurring expenses is a non-IFRS measure. Items classified under the heading “non-recurring expenses” are those items that are considered by management to be non-recurring or unusual because of their nature. The Group has adopted this classification to allow a better understanding of its recurring financial performance.

CONSOLIDATED INCOME STATEMENT (continued)

In € million	Dec 31, 2013	Dec 31, 2012
Additional information		
Reconciliation of net income before interest, tax, depreciation and amortization (EBITDA)		
Operating Profit	123.9	68.9
Depreciation and amortization ([1])	33.8	31.1
EBITDA ([2])	**157.7**	**100.0**
Reconciliation of net income before interest, tax, depreciation and amortization (EBITDA) to Adjusted EBITDA		
EBITDA	157.7	100.0
Non-recurring expenses, excluding amortization	17.3	50.1
Adjusted EBITDA ([3])	**175.0**	**150.1**

(1) Depreciation and amortization (D&A) included €31.5 million of recurring D&A and €2.3 of non-recurring D&A for the year ended December 31, 2013. D&A included €30.8 million of recurring D&A and €0.3 million of non-recurring D&A for the year ended December 31, 2012.

(2) EBITDA is a non-IFRS measure. EBITDA is defined as earnings before deduction of net finance cost, income taxes, depreciation and amortization.

(3) Adjusted EBITDA is a non-IFRS measure. Adjusted EBITDA is defined as earnings before deduction of non-recurring expenses, net finance cost, income taxes, depreciation and amortization.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € million	Dec 31, 2013	Dec 31, 2012
Loss for the year	**25.9**	**(7.9)**
Other comprehensive income for the year, after tax:		
Exchange differences on translating foreign operations	(13.7)	1.4
Actuarial gains / (losses) on defined benefits pension plans	-	(2.2)
Cash flow hedge	(0.6)	-
Other	0.1	-
Other comprehensive income /(loss) for the year, net of tax	**(14.2)**	**(0.8)**
Total comprehensive income/(loss) for the year(1)	**11.7**	**(8.7)**

(1) All attributable to the owner of the parent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In € million	Dec 31, 2013	Dec 31, 2012
ASSETS		
Non-current Assets		
Goodwill and other intangible assets	864.8	845.8
Property, plant and equipment	282.0	267.4
Deferred tax assets	0.3	0.1
Receivables	0.1	0.1
	1,147.2	**1,113.4**
Current Assets		
Inventories	182.2	171.6
Trade receivables	199.0	163.5
Prepaid expenses and other receivables	40.0	36.7
Current income tax	3.7	1.9
Derivative financial assets	1.1	5.8
Cash and cash equivalents	61.3	38.9
	487.3	**418.4**
TOTAL ASSETS	**1,634.5**	**1,531.8**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In € million	Dec 31, 2013	Dec 31, 2012
EQUITY AND LIABILITIES		
Equity attributable to owners of the company		
Share capital	449.4	449.4
Cumulative translation differences	(21.3)	(7.6)
Consolidated reserves	(66.0)	(91.4)
TOTAL EQUITY	**362.1**	**350.4**
Non-current liabilities		
Employee benefit liabilities	15.8	14.3
Provisions	0.1	-
Interest-bearing debts	896.7	818.7
Other non-current financial liabilities	10.0	-
Deferred income tax liabilities	14.8	13.3
	937.4	**846.3**
Current liabilities		
Interest-bearing debts	13.9	14.0
Derivative financial liabilities	1.9	-
Other current financial liabilities	8.0	-
Trade payables	243.2	222.8
Accrued expenses and other payables	15.7	17.4
Social liabilities	25.9	23.4
Current income tax liabilities	19.0	15.2
Provisions	7.4	42.3
	335.0	**335.1**
TOTAL LIABILITIES	**1,272.4**	**1,181.4**
TOTAL EQUITY AND LIABILITIES	**1,634.5**	**1,531.8**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

In € million	**Dec 31, 2013**	**Dec 31, 2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/(loss) for the year	25.9	(7.9)
Adjustments for:		
Tax expense	14.0	6.8
Depreciation and amortisation	33.8	31.1
(Profit)/loss on disposal of property, plant and equipment	0.7	0.7
Inventory write-down	(1.0)	(0.2)
Bad debt provision	(3.0)	(1.1)
Provisions (including employee benefit liabilities)	(30.4)	24.4
Unrealised F/x difference on operating activities	1.2	(0.6)
Finance costs - net (including unrealised F/x difference on financing)	84.1	70.0
Changes in working capital:		
Inventories	*7.8*	*(32.1)*
Trade and other receivables	*(18.0)*	*(5.2)*
Trade and other payables	*(3.5)*	*4.5*
Social liabilities	1.4	0.7
Net cash from operating activities before taxes	**113.1**	**91.1**
Income tax paid	(14.7)	(3.8)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**98.4**	**87.3**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW (continued)

	Dec 31, 2013	Dec 31, 2012
NET CASH GENERATED FROM OPERATING ACTIVITIES	**98.4**	**87.3**
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditure	(43.0)	(55.1)
Loss on disposal	-	(0.4)
Capital grants	0.2	1.2
NET CASH USED IN INVESTING ACTIVITIES	**(42.8)**	**(54.3)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from acquisition (net cash)	2.1	-
Proceeds from borrowings	77.4	2.2
Other proceeds from financing	36.3	-
Repayment of borrowings	(2.4)	(7.5)
Acquisition price paid	(73.2)	-
Interest paid	(64.3)	(61.2)
Interest received	0.5	0.2
Cost of refinancing & other costs of financing	(11.0)	(5.0)
Realised foreign exchange (losses)/gains on financing activities	(4.2)	1.6
Derivative financial assets	5.6	10.1
Capital increase	-	-
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	**(33.2)**	**(59.6)**
MOVEMENT IN PERIOD	**22.4**	**(26.6)**
CASH, CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**38.9**	**65.5**
CASH, CASH EQUIVALENTS AT THE END OF THE PERIOD	**61.3**	**38.9**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company			
Successor ([1]), in € million	**Share capital**	**Cumulative translation reserves**	**Retained earnings and other reserves**	**Total Equity**
Balance at December 31, 2011	**449.4**	**(9.0)**	**(81.3)**	**359.1**
Comprehensive income:				
Profit for the year	-	-	(7.9)	(7.9)
Other comprehensive income:				
Exchange differences on translating foreign operations	-	1.4	-	1.4
Actuarial gains/(losses) on defined benefit pension plans	-	-	(2.2)	(2.2)
Total other comprehensive income	**-**	**1.4**	**(2.2)**	**(0.8)**
Balance at December 31, 2012	**449.4**	**(7.6)**	**(91.4)**	**350.4**

(1) Figures extracted from Ontex IV S.A. financial year 2013 audited consolidated accounts

	Attributable to equity holders of the Company			
in € million	**Share capital**	**Cumulative translation reserves**	**Retained earnings and other reserves**	**Total Equity**
Balance at December 31, 2012	**449.4**	**(7.6)**	**(91.4)**	**350.4**
Comprehensive income:				
Profit for the year	-	-	25.9	25.9
Other comprehensive income:				
Exchange differences on translating foreign operations	-	(13.7)	-	(13.7)
Actuarial gains/(losses) on defined benefit pension plans	-	-	-	-
Cash flow hedge			(0.6)	(0.6)
Other movements	-	-	0.1	0.1
Total other comprehensive income	**-**	**(13.7)**	**(0.5)**	**(14.2)**
Balance at December 31, 2013	**449.4**	**(21.3)**	**(66.0)**	**362.1**

Management

Ontex IV S.A. (“The Issuer”)

The Issuer is a public limited company (*Société Anonyme*), incorporated and existing under the laws of Luxembourg. The following table sets forth certain information with respect to individuals who serve as directors of the Issuer as of the date hereof.

Name	Age	Title
Mr. Marielle Stijger*	44	A Director
Mr. Dominique Le Gal	42	A Director
Mr. Alexandra Matias*	34	B Director
Mr. Pedro Fernandes das Neves	39	B Director
Mr. Jacques Purnode*	57	C Director
Mr. Marc Gallet*	55	C Director

* Marielle Stijger has been appointed as from 09/08/2013, replacing Maxime Nino, Mrs. Alexandra Matias has been appointed as from 17/01/2014, replacing Martin Davidson, Jacques Purnode has been appointed as from 17/01/2014, replacing Steven Vandenbogaerde, Marc Gallet has been appointed as from 04/03/2014.

ONV Topco N.V. (“The Company”)

The Company is a *naamloze vennootschap* organized under the laws of Belgium. Set forth below is certain information with respect to the individuals who serve as directors of the Company and members of the Company’s senior management as of the date hereof.

Name	Age	Title
Mr. Charles Bouaziz*	51	Executive Director – Chief Executive Officer
Mr. Jacques Purnode**	57	Executive Director – Chief Financial Officer
Mr. Thierry Navarre***	46	Executive Director – Chief Operating Officer
Mr. Paul Walsh	58	Chairman of the Board
Mr. Richard Butland	41	Non-Executive Director – GSCP VI representative
Mr. Simon Henderson	44	Non-Executive Director – TPG Capital representative
Mr. Uwe Krüger	48	Non-Executive Director – TPG Capital representative
Mr. Dominique Le Gal	42	Non-Executive Director – GSCP VI representative

* Michael Teacher was a director of the Company through Extrapower Limited (where he is the permanent representative of such company) and Christopher Parratt was a director of the Company through Arenex Limited (where he is the permanent representative of such company). Extrapower Limited and Arenex Limited are each owned and controlled jointly by Michael Teacher and Christopher Parratt (holding 34% and 51%, respectively). Michael Teacher left the company June 30, 2013 and has been replaced by Charles Bouaziz. Christopher Parratt left the company on June 30, 2013 and has been replaced by Jacques Purnode.

** Jacques Purnode is director of the Company through Cepholli BVBA (where he is the permanent representative of such company).

*** Thierry Navarre is a director of the Company through Artipa SPRL (where he is the permanent representative of such company).

Charles Bouaziz, *Chief Executive Officer*, has been appointed Chief Executive Officer of the Company on January 22, 2013. Prior to joining Ontex, Mr. Bouaziz held a number of senior positions during his 25 years in the Consumer Goods industry. He spent his early career at Michelin (in Canada) and Procter and Gamble before joining PepsiCo in 1991. Mr. Bouaziz joined PepsiCo as Marketing Director of France & Belgium and in 1996 became General Manager for France. In 2006, he became General Manager of a group of countries including France, Germany, Italy, Switzerland and Austria. In 2008, Mr. Bouaziz was appointed President of PepsiCo Western Europe. In 2010, he left PepsiCo and became CEO of Monoprix. Charles joined PAI in 2010 as member of the Food & Consumer Goods sector team and later as head of the Portfolio Performance Group. Mr. Bouaziz graduated from Ecole Superieure des Sciences Economiques et Commerciales (ESSEC 1985). Mr. Bouaziz has been appointed within ONV Topco NV and Ontex BVBA as of January 22, 2013.

Jacques Purnode, *Chief Financial Officer*, has been named Chief Financial Officer of the Company on August 1, 2013. Prior to Ontex, Jacques held a number of senior positions at ABInBev in various roles, in Finance as well as in Information Technology. From 2007 he worked for Coca Cola Enterprises, Inc. in London, where he lastly held the position of CFO for Europe. Mr. Purnode has been appointed within ONV Topco NV and Ontex Bvba as of August 1, 2013, within Ontex International Bvba as from October 1 2013, within Ontex IV SA as from January 17, 2014.

Michael Teacher, Former Chief Executive Officer, joined the Company in 2006. Between 2000 and 2006, Mr. Teacher was the Chairman of several companies: eTechnology VCT plc, Networks by Wireless Ltd., UniPoly Holdings and Peek Traffic Holdings Ltd. Prior to that he spent 13 years as Chief Executive Officer at Hillsdown Holdings. He also served as Managing Director at Pointon York Ltd., between 1983 and 1987, and was Managing Director at Welbeck Investments plc, between 1976 and 1981. Mr. Teacher holds a master's degree in Financial Management from London City University and is a chartered accountant and member of the Institute of Chartered Accountants in England and Wales. Mr. Teacher has been replaced by Mr. Bouaziz and left the company as of June 30, 2013.

Christopher Parratt, Former Chief Financial Officer, joined the Company in 2006. Before joining the Company, Mr. Parratt was Finance Director at Peek Traffic Holdings, between 2004 and 2007. Prior to that he was Managing Director of UniPoly Holdings, between 2001 and 2006, Finance and Commercial Director at Mill House Inns Plc, between 1995 and 2000, and in various financial, strategic and operational roles at Grand Metropolitan plc (now Diageo plc), between 1989 and 1995. Mr. Parratt holds a bachelor's degree in Accounting and Finance from the University of Western England and is a chartered accountant and member of the Institute of Chartered Accountants in England and Wales. Mr. Parratt left the company as of June 30, 2013.

Thierry Navarre, Chief Operating Officer, joined the Company in May 2006 as the Group Supply Chain Director and was appointed Chief Operating Officer in February 2009. Before joining the Company, he was Director of Strategy & Development at Inbev in France (now ABInbev), between July 2005 and May 2006, and held other senior management positions in supply and distribution at Inbev, between 2001 and 2005. Prior to that he held various roles in logistics and distribution at Fort James (now Georgia Pacific), between 1997 and 2001, and at Jamont (now Georgia Pacific) between 1991 and 1997. Mr. Navarre holds a degree in Business Administration from École Supérieure de Commerce, Nantes, France, and also has a master's degree in Industrial Logistics from Institut Supérieur de Logistique Industrielle (*Groupe École Supérieure de Commerce*), Paris, France.

Adrian Bellamy, *Chairman of the Board*, joined the Board of the Company and was appointed its Chairman in 2011. Mr. Bellamy is currently Chairman of Reckitt Benckiser Group plc and Williams-Sonoma Inc., a Director of Gap Inc. and Mills-Peninsula Hospital. His past directorships include: Labelux

Group GmbH (Director), The Body Shop International plc (Executive Chairman), Gucci Group NV (Chairman), The Robert Mondavi Corporation, and Starbucks Corporation. From 1983 to 1995, he was Chairman and CEO of DFS Group Limited and from 1977 to 1983 he was CEO of Edgars Stores Limited. He graduated from the University of South Africa with Bachelor of Commerce and Master of Business Leadership degrees. He resigned in his capacity of chairman and director of Ontex IV SA as per December 31, 2013.

Paul Walsh, Chairman of the Board, joined the Board of the Company and was appointed as chairman as from 1 January 2014. Paul was appointed Advisor to the Chairman and the Chief Executive of Diageo plc from 1 July 2013, having previously been Chief Executive since September 2000. He has served in a number of management roles since joining GrandMet's brewing division in 1982, including Chief Executive Officer of The Pillsbury Company. He was appointed to the GrandMet board in October 1995 and to the Diageo plc board in December 1997. He is a Non-Executive Director of Avanti Communication Group plc, Unilever PLC and FedEx Corporation in the United States. He was appointed a Business Ambassador on the UK Government's Business Ambassador Network on 9 August 2012 and is also a Member of the Council of the Scotch Whisky Association. During the year he stepped down as lead Non-Executive and Deputy Chair of the Board of the Department of Energy and Climate Change and as a Member of the UK Government's Business Advisory Group.

Richard Butland joined the Company in November 2010 as a representative of GSCP VI. Mr. Butland joined Goldman Sachs in 2000 as an associate in the UK Advisory Group and was named Managing Director in 2006. He was promoted to run UK M&A Advisory in 2007 and subsequently moved to the Merchant Banking Division to head its private equity activities in the UK and Consumer and Retail across Europe. Prior to joining the firm, Mr. Butland worked at IBJ Schroder Bank for two years and at PricewaterhouseCoopers for five years. He earned a bachelor's degree from Victoria University of Wellington in 1992 and qualified as a chartered accountant in 1995.

Simon Henderson joined the Company in November 2010 as a representative of TPG Capital. Mr. Henderson joined TPG Capital as a Partner in April 2010 and most recently served as Head of UK Buyouts at European Capital. Prior to co-founding European Capital, Mr. Henderson spent 10 years with Barclays Private Equity as a Director as well as a member of the UK Investment Committee. Previously, he was an MBO Advisor in the Corporate Finance group at PricewaterhouseCoopers. Mr. Henderson received his ACA from The Institute of Chartered Accountants of England and Wales. He also holds a BA with Honours from Durham University, United Kingdom.

Dr. Uwe Krüger joined the Company in November 2010 as a representative of TPG Capital. Dr. Krüger joined TPG Capital as a Senior Advisor in 2009. He is currently the CEO of Atkins Global and also President of the Export Platform Cleantech Switzerland, a Director of STR Holdings Inc. and a board member of Zementis Inc. Until March 2009, Dr. Krüger was the CEO of Oerlikon AG. Previously, he was Chairman of Turner International and Senior Vice President Corporate Development and CEO Central Eastern Europe with the HOCHTIEF group. Dr. Krüger attended the University of Frankfurt and completed a post doctorate research at the Physikalisch-Technische Bundesanstalt in Braunschweig, Columbia University in New York and the École Normale Supérieure in Paris.

Dominique Le Gal joined the Company in May 2012 as a representative of GSCP VI. Mr. Le Gal is co-general manager at GS Lux Management Services S.à r.l and has a key role supporting the operational infrastructure for all investments in Luxembourg made for the Goldman Sachs funds. From 1999 to 2011 he worked in the fund accounting team at Archon Group (France) in Paris, a wholly owned subsidiary of Goldman Sachs and served as head of the investment accounting during the last three years. Mr. Le Gal earned an Accounting and Finance degree in 1995.

Pierre Laubies joined the company as an Independent Director in 2012. Mr. Laubies served as the President of Global Petcare at Mars, Incorporated until 2012, and had previously served as the President of Europe and the President of Latin America at Mars, Incorporated. He has also served as the European President at Campbell Soup Company. Mr. Laubies holds a law degree from La Sorbonne and a master's degree in Economics from the Political Sciences Institute in Paris. His mandate ended on January 17, 2014.

Senior Management

The Company's Executive Team is comprised of the Chief Executive Officer, the Chief Financial Officer and the other members set forth in the table below.

As from May 1, 2013 the Senior Management team has been replaced by the executive team, including the following persons.

Name	Age	Principal function within Senior Management
Mr. Charles Bouaziz#	51	Executive Director – Chief Executive Officer
Mr. Jacques Purnode*#	57	Executive Director – Chief Financial Officer
Mr. Thierry Navarre*#	46	Chief Operating Officer
Mr. Philippe Agostini#	51	Chief Procurement and Supply Chain Officer
Mr. Laurent Bonnard#	52	Group Sales Director
Mrs. Oriane Perraux#	39	Group Marketing Director
Ms. Annick De Poorter**#	43	R&D Quality Director
Mr. Martin Gärtner**#	47	Manufacturing Director
Mr. Özgür Akyıldiz**	39	General Manager – MEA Regional Division
Mr. Arnauld Demoulin*#	42	General Manager – Mature Market Retail Division
Mr. Thierry Viale#	51	General Manager – Growth Markets Division
Ms. Marijke Haegenaars#	68	Group HR Director
Mr. Xavier Lambrecht*#	44	General Manager – Healthcare Division

* Thierry Navarre is a member of Senior Management and provides services to the Group through Artipa sprl, which is wholly owned by him. Jacques Purnode is a member of Senior Management and provides services to the Group through Cepholli BVBA, which is wholly owned by him. Xavier Lambrecht is a member of Senior Management and provides services to the Group through Marex Comm V, which is wholly owned by him. Arnauld Demoulin is a member of Senior Management and provides services to the Group through Arlipase BVBA, which is wholly owned by him.

** Annick De Poorter is employed by Ontex BVBA. Özgür Akyıldız is employed by Ontex Tüketim Ürünleri Sanayi ve Ticaret Anonim Şirketi. Martin Gärtner is employed by Ontex BVBA.

\# Charles Bouaziz, Thierry Navarre, Jacques Purnode, Annick De Poorter, Martin Gärtner, Arnauld Demoulin, Philippe Agostini, Oriane Perraux, Laurent Bonnard, Thierry Viale, Xavier Lambrecht and Marijke Haegenaars undertake their roles from the Company's headquarters in Zele, Belgium.

Oriane Perreaux, Group Marketing Director, has joined the Company on June 1, 2013. Prior to Ontex, Oriane held a number of marketing positions at Procter & Gamble, France and International. Since 2011, she worked for Carrefour Group, where she held the position of International Brand Director

for Carrefour Baby and Carrefour Kids. Mrs. Perreaux has been appointed within Ontex Bvba as of June 1, 2013.

Annick De Poorter, R&D and Quality Director, joined the Group in 2003 as the R&D Manager of Feminine Hygiene and was promoted to R&D and Quality Director in January 2009. Before joining the Group, Ms. De Poorter was the R&D Engineer Technical Products at Libeltex NV in Belgium. Prior to that, she was a Scientific Researcher at University of Ghent, Faculty of Engineering, Department of Textiles, Ghent, Belgium. Ms. De Poorter holds a master's degree in Civil Engineering in Textiles from the University of Ghent, Belgium. She also holds an "Internal Auditor ISO 9000: 2000" certificate from Lloyd's Register.

Martin Gärtner, Manufacturing Director, joined the Group in 1997 as an Assistant Production Manager and was promoted to Group Manufacturing Director in 2009. Before becoming the Group Manufacturing Director, Mr. Gärtner held offices of Production Manager, Plant Manager and General Manager of the Company. Prior to joining the Group, Mr. Gärtner spent two years as a trainee at Wirths J. Hygiene GmbH in Germany. Mr. Gärtner holds a Diploma–Kfm. in Production Technique and Industrial Controlling from the Technical University in Aachen, Germany.

Haim Ezer, Commercial Director, joined the Company in September 2006 as a Commercial Director. Before joining the Company, Mr. Ezer spent four years as General Manager at Rostam U.S. in Lincoln, Rhode Island, United States. Prior to that, he was VP Sales and Marketing with Rostam Ltd. in Israel between 1997 and 2003. Mr. Ezer is a graduate of the Israeli Defence Force Officer Academy in Israel. He resigned with effect as from October 1 2013, as was replaced by Thierry Viale.

Özgür Akyildiz, General Manager of the MEA Regional Division, joined the Group in 2002 as an Assistant Sales and Marketing Manager and was appointed General Manager of the Turkey Regional Division in May 2008. Before joining the Group, he was Product Manager at Digitürk A.S. in Istanbul, between May 2001 and August 2002, and Sales Supervisor, between October 1999 and May 2001. Mr. Akyildiz holds a degree in Business Administration from Boğazici University, Istanbul, Turkey.

Arnauld Demoulin, General Manager of the Mature Market Retail Division, joined the Group in July 2002 as the Retail Brand Manager and was appointed General Manager of the Healthcare Division in January 2010, and subsequently appointed General Manager of the Mature Market Retail Division in September 2013. Mr. Demoulin was previously the Group's General Manager of FBSI Division and Category Director. Before joining the Group, Mr. Demoulin was a Division Manager at Robert Half International in Belgium. Prior to that, Mr. Demoulin spent eight years, between 1993 and 2000, holding various positions in commercial at Procter & Gamble, Belgium. Mr. Demoulin holds a degree in Economical Sciences from Institut Catholique des Hautes Ètudes Commerciales, Brussels, Belgium.

Thierry Viale, General Manager Growth Markets Division and Strategic Development, has been appointed General Manager Growth Markets Division and Strategic Development on October 1, 2013. Prior to joining Ontex, Mr. Viale held a number of senior positions at Procter & Gamble in Western Europe, Russia, Nigeria/West Africa, Greater China, the Balkans and in India. Mr. Viale has been appointed within Ontex Bvba as manager as of October 1, 2013.

Marijke Hagenaars, Group HR Director, has been appointed Group HR Director in February 2013. Prior to joining Ontex, Mrs. Hagenaars held a number of senior positions during her 18 years at PepsiCo International, where she gained a broad, all-round experience on all angles of Human Resources and lastly held the function of VP Human Resources at PepsiCo Europe.

Philippe Agostini, *Group Chief Procurement & Supply Chain Officer* has been appointed CPO in charge of Purchasing & Supply Chain functions of the company on September 1, 2013. Mr. Agostini

previously held various senior positions in Purchasing and Supply Chain for 25 years, within Mars, McDonald's, Lactalis, Pechiney-Alcan, JohnsonDiversey, and lastly Famar, where he held the function of Group Purchasing VP. Mr. Agostini has been appointed within Ontex Bvba on September 1, 2013.

Laurent Bonnard, Group Sales Director, has been appointed Group Sales Director of the company on September 9, 2013. Laurent has held various senior positions within Sales and Marketing in Mars and Quaker. Subsequently he joined Pepsico, as Sales Director France and last held the function as VP Business Development for Europe. Laurent Bonnard has been appointed within Ontex Bvba on September 9, 2013.

Xavier Lambrecht, General Manager of the Healthcare Division, joined the company early 2009 as Sales & Marketing Director Health Care Division. Before he held different roles within Sales Development and Business Planning at Imperial Tobacco. Mr. Lambrecht has been appointed director within Ontex Bvba as of February 1, 2014.

Board Committees

Audit Committee

The Audit Committee is comprised of at least three members, all of which must be Non-Executive Directors and at least a majority of which must be Independent Directors. The current members of the Audit Committee are Mr. Dominique Le Gal, Mr. Richard Butland and Mr. Simon Henderson.

The role of the Audit Committee is to supervise and review the financial reporting, the internal control and risk management systems and the internal audit process of the Company. In addition, the Audit Committee makes recommendations to the Board of Directors on the selection, appointment, remuneration and the independence of the external auditor. The ultimate responsibility for reviewing and approving the Company's interim and annual financial statements, which is presented to the shareholders, remains with the Board of Directors.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is comprised of at least three members, all of which must be Non-Executive Directors and at least a majority of which must be Independent Directors. The current members of the Nomination and Remuneration Committee are Mr. Dominique Le Gal, Mr. Richard Butland and Mr. Simon Henderson. The Nomination and Remuneration Committee makes recommendations to the Board on the appointment of Directors, the CEO and other members of the Executive Management Team, on the remuneration policy for Directors and members of the Executive Management Team, as well as on the arrangements concerning early termination. It also ensures that the appointment and re-election process is organized objectively and professionally.

Compensation of Directors

The aggregate compensation of the members of the Board of Directors of the Company for the performance of their functions within the Company for the year ended December 31, 2013 amounted to €0.225 million, including Adrian Bellamy (€150 k) and Pierre Laubies (€75 k) excluding compensation to Michael Teacher, Christopher Parratt, Charles Bouaziz, Jacques Purnode and Thierry Navarre.

Compensation of Senior Management

The aggregate compensation of the members of Senior Management (including the CEO, COO and CFO) for the performance of their functions within the Group for the year ended December 31, 2013 amounted to €7.4 million (including pension contributions for a defined contribution plan and bonuses), in addition to benefits in kind such as company cars and mobile phones.

Shareholders

In July 2010, entities established by funds managed by Goldman, Sachs & Co. and TPG Capital agreed to acquire Ontex. The acquisition closed on November 18, 2010. As of the December 31, 2013, these funds beneficially own and control (through wholly owned intermediary holding companies), along with certain members of our senior management, our entire share capital.

Set forth below is a brief description of each of our principal shareholders.

Goldman Sachs Capital Partners VI

Goldman Sachs Capital Partners VI ("GSCP"), a group of four funds managed by affiliates of Goldman Sachs, is primarily engaged in privately negotiated corporate equity investment activities globally. GSCP is a series of global diversified funds with over $20 billion of capital commitments. GSCP, which is managed and advised by the Principal Investment Area ("PIA") of Goldman Sachs, has invested over $6.5 billion in consumer business and retail transactions including investments in Michael Foods, Dollar General and Polo Ralph Lauren. GSCP focuses on large, sophisticated business opportunities in which value can be created by leveraging the resources and expertise of Goldman Sachs to source, execute and manage investments. Since 1986, the PIA and its predecessor business areas have raised 18 private equity and principal debt investment funds aggregating over $84 billion of capital (including leverage). A global leader in private corporate equity investing, PIA focuses on large, high quality companies with strong management in order to fund acquisition or expansion across a range of industries and geographies. Founded in 1869, Goldman Sachs is a leading global investment banking, securities and investment management firm that provides a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals.

TPG Capital is part of TPG, a leading global private investment firm founded in 1992 with over $59 billion of assets under management and offices in San Francisco, Fort Worth, Austin, Houston, Beijing, Chongqing, Hong Kong, London, Luxembourg, Melbourne, Moscow, Mumbai, New York, Paris, São Paulo, Shanghai, Singapore and Tokyo. TPG has extensive experience with global public and private investments executed through leveraged buyouts, recapitalizations, spinouts, growth investments, joint ventures and restructurings.

Shareholders' Agreement

GSCP and funds managed by TPG entered into a shareholders' agreement with the Group on November 18, 2010 (the "Shareholders' Agreement"), which sets forth, among other things:(i) the rights of each shareholder to designate persons for appointment to the Board of Directors of the Issuer and the Company; (ii) agreements among the shareholders relating to the governance of the Group; (iii) transfer restrictions in respect of shares held by each shareholder of the Issuer; and (iv) rights of each shareholder to initiate an initial public offering process.

Board Composition

Pursuant to the Shareholders' Agreement, the shareholders have the right to designate individuals for appointment to the Boards of Directors of:

- the Issuer as follows: (i) three individuals may be nominated by GSCP; (ii) three individuals may be nominated by TPG; and (iii) two individuals may be nominated by GSCP and TPG, acting jointly;
- the Company as follows: (i) up to three non-executive individuals may be nominated by GSCP; (ii) up to three non-executive individuals may be nominated by TPG; (iii) up to four individuals may be nominated by GSCP and TPG, acting jointly; and (iv) each of GSCP and TPG may nominate up to two non-executive independent individuals; and
- each of our parents and indirect parents as follows: (i) three individuals may be nominated by GSCP and (ii) three individuals may be nominated by TPG.

GSCP and TPG, acting jointly, may nominate the chairman of each board of directors referred to above.

Governance and Voting Requirements

Pursuant to the Shareholders' Agreement, decisions to be made by the shareholders are to be made in accordance with the relevant provisions of local law and decisions to be made by the Boards of Directors are to be made by simple majority vote, except that certain fundamental decisions require the approval of both of the shareholders. These include:

- Amendments or changes to constitutional documents, capital structure or continued existence and certain distributions or listings;
- Certain changes affecting corporate governance, the auditors or accounting policies;
- The adoption, replacement or amendment of the business plan or annual budget and the entering into of certain transactions;
- Certain incurrences of indebtedness;
- Amendments or changes to certain employment arrangements;
- Material affiliate transactions;
- Material agreements;
- Commencing or settling material litigation or other disputes;
- Material changes to the nature, scope and amount of insurance coverage;
- Changes to domicile or tax status;
- Assigning, licensing, encumbering or otherwise disposing of any material intellectual property; and certain other actions.

Transfer Restrictions

The shareholders have agreed not to transfer any of their shares in Ontex I S.à r.l. or Ontex II S.à r.l. other than in accordance with the Shareholders' Agreement. In general, transfers must either meet certain criteria as specified in the Shareholders' Agreement or be approved by both GSCP and TPG. In certain circumstances, shareholders may be required to transfer their shares.

Material Risk Factors

Ontex IV has issued €235.0 million 9.0% Senior Notes due 2019, €320 million, 7.5% Senior Secured Notes due 2018 , €280 million Senior Secured Floating Rate Notes due 2018 on March 24 2011, and €75.0 million 7.5% Senior Secured Notes due 2018, on February 14, 2013. An investment in the Notes involves a high degree of risk. The occurrence of any of the events discussed below could harm us. If these events occur, the trading price of the Senior Secured Notes and/or the Senior Notes could decline, we may not be able to pay all or part of the interest or principal on the Notes, and you may lose all or part of your investment. Additional risks not currently known to us or that are presently deemed immaterial may also harm us and affect your investment.

In addition, Ontex IV has issued €75.0 million 7.5% Senior Secured Notes due 2018, on February 11, 2013 in conjunction with the acquisition of Serenity, closed on April 4, 2013.

This Report contains "forward-looking" statements that involve risks and uncertainties. Our actual results may differ significantly from the results expressed or implied in such forward-looking statements. Factors that might cause such differences include those discussed below.

Risks Relating to our Industry and our Business

We cannot ensure that we will continue to have access to sufficient quantities of raw materials and our results of operations are exposed to fluctuations in raw materials prices.

We are dependent upon the availability of raw materials for the manufacture of our products. Raw materials and packaging costs accounted for between 75% and 80% of our cost of sales for the year ended December 31, 2013. The key raw materials we use are fluff, super-absorber and non-woven fabrics.

While we seek to maintain a diverse supplier base, we cannot ensure that our current suppliers will be able to supply us with sufficient quantities of raw materials at reasonable prices in the future. Furthermore, if we were to lose any of our suppliers, whether as a result of the commencement of bankruptcy proceedings, decisions by suppliers to allocate raw materials to other purchasers or otherwise, there can be no assurance that we will be able to replace any such suppliers or procure substitute raw materials in a timely manner, on acceptable commercial terms, or at all.

Furthermore, the raw materials we use are subject to price volatility due to a number of factors that are beyond our control, including, but not limited to, the availability of supply (including supplier capacity constraints); general economic conditions; commodity price fluctuations (particularly of crude oil); demand by other industries for the same raw materials; and the availability of complementary and substitute materials. In particular, certain chemicals used in our raw materials, including polyethylene, propylene and polypropylene (which is used in the production of non-woven fabrics), are derived from crude oil. Accordingly, fluctuations in the price of crude oil may lead to volatility in our raw materials costs. Furthermore, fluctuations in the U.S. Dollar/Euro exchange rate may also cause volatility in our raw materials costs, since we make purchases of fluff products in U.S. Dollars and since the reference currency for crude oil (from which some of our raw materials are derived) is the U.S. Dollar.

The majority of our customer contracts are based on fixed pricing models and do not contain raw materials price indexation clauses. If we are unable to pass on increases in raw materials prices to our customers in a timely manner, we may experience lower margins. We may also lose customers and/or revenue to the extent our customers do not agree to price increases.

We may seek to reduce a portion of our exposure to raw material price volatility through arrangements with our fluff suppliers that reduce our exposure to volatility in fluff prices as well as through hedging. There can be no assurance, however, that we will hedge our exposure to volatility in raw material prices or that, where we plan to enter into a hedge, such arrangements will be available to us on commercially reasonable terms or will effectively address the risks relating to fluctuations in raw material prices. Furthermore, there can be no assurance that our hedges will qualify for hedge accounting treatment. Any gains and losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge will be recorded directly on the income statement. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

We make substantial sales and purchases of raw materials in currencies other than Euros, which exposes us to risks resulting from exchange rate fluctuations.

Although we prepare our financial statements in Euros, we make substantial sales and purchases of raw materials in currencies other than Euros. In the year ended December 31, 2013, we generated 38.3% of our revenue in currencies other than Euros, principally Pounds Sterling, Turkish Liras, Polish Zloty, Australian Dollars and Russian Roubles. A weakening of one or more of these currencies against the Euro necessarily reduces our revenues. We also make purchases of certain raw materials, primarily fluff, in U.S. Dollars. U.S. Dollar denominated purchases amounted to $189.5 million in the year ended December 31, 2013. Purchases of oil-based raw materials also indirectly increase our exposure to the U.S. Dollar, since the reference price for crude oil is U.S. Dollars. The strengthening of the U.S. Dollar against the Euro, will adversely affect our results of operations. Exchange rates have recently become more volatile in certain countries in which we operate, such as Turkey and Russia. Furthermore, as we expand our operations, particularly outside of the Eurozone, our exposure to foreign exchange rate movements and related risks will increase.

We entered into foreign exchange forward contracts in December 2013 maturing through December 2014 in order to limit volatility in our business resulting from exposures to sales in Pounds Sterling, Polish Zloty, Turkish Liras, Australian Dollars and Russian Roubles, as well as purchases of raw materials in U.S. Dollars and Czech Crown. There can be no assurance, however, that we will continue to hedge our exposure to foreign exchange rate fluctuations with such forward contracts or that such forward contracts will continue to be available to us on commercially reasonable terms or will effectively address the risks relating to fluctuations in foreign exchange rates. Furthermore, while the terms of our foreign currency forward contracts have been negotiated to match the terms of the forecasted transactions, enabling us to apply hedge accounting, there can be no assurance that these contracts will continue to qualify for hedge accounting treatment. Any gains and losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge will be recorded directly on the income statement.

Furthermore, foreign exchange rate fluctuations can affect the relative competitive position of our various production facilities. Competitors that operate production facilities in different jurisdictions may benefit from foreign exchange rate fluctuations, causing our products to become less attractive. This could particularly be the case for competitors with production facilities located outside the Eurozone, since the majority of our production facilities are located inside the Eurozone. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

We may experience disruptions at our production facilities or in extreme cases, our production facilities may be shut down.

We have 15 production facilities located in Europe, Turkey, Algeria, Pakistan, China, Russia and Australia. Should a disruption occur at one or more of our production facilities, we could experience temporary shortfalls in production or an increase in our cost of sales or distribution expenses, which could have an adverse effect on our results of operations. In the case of fire, flood, storms, earthquakes or other catastrophic events, we may be required to shut down the affected production facilities and there can be no assurance that we would be able to completely or partially utilize our other production facilities to compensate for or mitigate the effects of any such shutdowns. For example, in 2009, we were required to shut down our Turkish production facility for several months as a result of flooding in the surrounding area. Any disruptions at or shutdowns of our production facilities could compromise our on-time delivery record and diminish our production capacity and thereby have a material adverse effect on our business, financial condition and results of operations.

We may be adversely affected by competition from branded product manufacturers and other retailer brand manufacturers.

We face competition from branded product manufacturers such as Procter & Gamble, Johnson & Johnson and Svenska Cellulosa Aktiebolaget ("SCA"), who produce, promote and sell products under their own names or brands, and retailer brand manufacturers, who primarily produce products on behalf of national and international retailers, who in turn promote and sell the products under their own brands or labels. Branded product manufacturers may have greater financial resources than we have. From time to time, they may increase their marketing and promotional activities in order to preserve market share and pricing for their products. For example, in 2009, many branded product manufacturers responded to adverse economic conditions by introducing discounts on certain of their products, which negatively affected our margins.

We also face competition from branded product manufacturers and other retailer brand manufacturers in the area of product innovation. Branded product manufacturers periodically introduce new products with various innovations to existing products. Rapid time to market for comparable products is key to our competitiveness, both against branded products and against other manufacturers' retailer brand offerings that are introduced in response to such branded product innovations. There can be no assurance that we will be able to launch such products in a timely or successful manner in response to the launch of new branded products. There can also be no assurance that we will be able to obtain and license patents, trademarks and similar proprietary rights from third parties in order to respond to the innovations of our competitors. If we are unable to develop innovative products, or are unable to obtain and license such proprietary rights, we may lose market share. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to maintain our on-time service delivery record, this could adversely affect our ability to attract new customers and retain existing customers.

Our ability to deliver our products on time is key to attracting new customers and retaining existing customers. On-time delivery is particularly important to our large retailer customers. Our ability to deliver products on time may be adversely affected by events or circumstances beyond our control, including, but not limited to, catastrophic events causing the shutdown of one or more of our production facilities, unforeseen increases in order volumes as a result of changes to the competitive landscape or otherwise, the failure of third party freight carriers to meet scheduled delivery times, any prolonged shortage of freight capacity or other extended disruption of transport services or the failure

of our IT platform. If we are unable to maintain our on-time service delivery record, we may be unable to attract new customers or retain existing customers, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We may be affected by product recall or liability claims or otherwise be subject to adverse publicity.

We may be required to recall our products if they fail to meet our customers' quality standards and/or the applicable health and safety standards of the country in which a product is distributed, and we may be subject to product liability claims in connection with or independent of any product recall. We may incur significant expenditures as a result of product recalls or product liability claims. We may also suffer other commercial and financial consequences in connection with product recalls or product liability claims, including fines and payments to customers in respect of destroyed inventory, out-of-stock penalties and consumer complaints. Furthermore, if our products fail to meet our customers' specifications, the contracts governing such products may be terminated and we may not have an opportunity to provide conforming products.

Any product recall or product liability claim against us could also subject us to adverse publicity. In addition, we may be subject to adverse publicity relating to other matters, including, but not limited to, product quality, brands, complaints, production facilities and employee relationships. Adverse publicity may negatively impact our reputation, regardless of whether the allegations are valid. The negative impact of adverse publicity relating to any of our products, brands or production facilities may extend far beyond the product, brand or facility involved to affect some or all of our other products, brands and facilities. Any such adverse publicity may have a material adverse effect on our business, financial condition and results of operations.

We may be subject to claims asserting the infringement of intellectual property rights.

Our success depends in part on our ability to respond quickly to the introduction of new products by branded product manufacturers and other retailer brand manufacturers. Although we seek to avoid infringing the proprietary rights of third parties, we may, from time to time, be subject to claims asserting the infringement of the intellectual property rights of third parties and seeking damages, the payment of royalties or licensing fees or injunctions against our development, use or sale of the disputed product or production process. Any such claims could lead to litigation, which could be long and costly and the outcome may be uncertain. Furthermore, if we were required to obtain a license in respect of the disputed rights, there can be no assurance that such license would be available on commercially reasonable terms, if at all. Any detrimental decision in patent infringement litigation, or our inability to acquire intellectual property licenses on commercially reasonable terms, could have a material adverse effect on our business, financial condition and results of operations.

We may not be successful at retaining our key customers.

Our top 10 customers by revenue accounted for 38.7% of our revenues for the year ended December 31, 2013. Our largest customer accounted for 6.4% of our revenues over the same period. We typically contract with our customers for all or a part of their hygienic disposable product needs on a non-exclusive basis, and we operate in competitive markets, with a customer base that is continuing to consolidate. Such non-exclusive contracts and consolidation strengthens the bargaining power of our key customers, and these customers may use this leverage to demand higher discounts or allowances, which could adversely impact our margins. In some cases, when we attempt to increase our prices, we may lose customers. For instance, in 2011, we lost certain customers contracts in Germany when we raised prices to take account of higher raw materials costs. If we lose one or more of our key customers,

or if any of our key customers demand higher discounts or allowances, this could have a material adverse effect on our business, financial condition and results of operations.

We may fail to realize the anticipated business growth opportunities, revenue benefits, cost synergies, operational efficiencies and other benefits anticipated from, or may incur unanticipated costs associated with, potential future acquisitions.

From time to time, we evaluate possible acquisitions that would complement our existing operations and enable us to grow our business. The success of any acquisition depends on our ability to integrate acquired businesses effectively. The integration of acquired businesses may be complex and expensive and may present a number of risks and challenges, including:

- the diversion of management time, effort and attention from existing business operations;
- the possible loss of key employees, customers or suppliers;
- the unanticipated loss of revenue or increase in operating or other costs;
- the challenge of developing an understanding of, and new technical skills with respect to, the acquired business;
- the assumption of debt or other liabilities of the acquired business, including litigation related to the acquired business; and
- expansion into new geographical markets, which may require us to cooperate with local partners with whom we have not previously done business and may subject us to local regulations that may be more onerous than the regulations to which we are subject in our existing geographic markets.

Integrating any acquired business may result in additional unforeseen difficulties or liabilities and could impact the effectiveness of our internal controls over financial reporting. Furthermore, there can be no assurance that we will realize any or all of the anticipated benefits of any future acquisitions, including the expected business growth opportunities, revenue benefits, cost synergies and other operational efficiencies. Any of the foregoing or other factors could have a material adverse effect on our business, financial condition and results of operations.

We are subject to risks associated with operating internationally.

We operate 15 production facilities located in Europe, Turkey, Algeria, Pakistan, China, Russia and Australia and have 23 sales and marketing teams located across Europe, Asia, Africa, Turkey, Middle East and Australia through which we make sales in more than 100 countries worldwide. As a result, we are subject to economic, regulatory, political and other risks associated with operating internationally. As we expand our operations in emerging and developing markets (including the opening of our production facilities in Russia and Pakistan in 2011 and 2013, respectively, and the opening of sales offices in Morocco, Pakistan, Kazakhstan and Ukraine), our exposure to these risks increase.

Therefore, our business may be adversely affected by economic, regulatory or political conditions or instability in any of the jurisdictions in which we operate or plan to operate, including financial crises, inflation or hyperinflation, currency devaluations, expatriation of cash, civil unrest, acts of terrorism, wars, international conflicts, difficulties in enforcement of contractual obligations (including in respect of payments and receivables and intellectual property rights), difficulties in adopting, complying with or changes in applicable local and international laws or regulations (including environmental laws and

regulations and permit and authorization regimes and as a result of new interpretations and more rigorous enforcement), nationalization of property without fair compensation, corruption and extortion, and greater and tighter government regulation on cross-border trading, production and pricing. Furthermore, many emerging markets do not possess the full business, legal and regulatory infrastructure that would generally exist in more mature free market economies. In addition, the taxation, currency and customs legislation within such markets are subject to varying interpretations and changes, which can occur frequently and unpredictably.

Any such conditions or instability could impact our operations and result in additional expenditure and other commercial and financial impacts being incurred by us in order to comply with or adapt to such conditions or instability and consequently this could have a material adverse effect on our business, financial condition and results of operations.

Recent and ongoing unrest in certain of the countries in which we operate may adversely affect our business.

We derive a portion of our revenue from the Middle East and Africa, a region in which we have made significant investments and are targeting for continued growth. In particular, we currently operate facilities in Algeria, Turkey and Pakistan and generate sales in those countries and surrounding countries. For the year ended December 31, 2013, 12.0% of our revenue was attributable to the Middle East and Africa Division. During the past few years, there has been significant political and social unrest across the Middle East and Africa and political systems across the region have been and continue to be unstable. In addition, we have a sales office in Ukraine (which generated €2.7 million, or 0.2%, of our revenue in 2013), where there has recently been widespread political and social unrest. The destabilizing effect of political developments in these countries has contributed to fluctuations in exchange rates, in particular the Euro/Turkish Lira exchange rate and the Euro/Rouble exchange rate, which have adversely affected our business. Furthermore, a deterioration of relations between any of these countries and Western countries generally could indirectly affect our business. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

Changes in the policies and requirements of customers may negatively impact our sales.

Our ability to service and supply our customers reliably and efficiently is dependent, in part, on our compliance with our customers' policies and product and production requirements. Changes in the policies and requirements of our customers, particularly our retailer customers, may negatively impact us. These could include, among other changes, changes with regard to inventory destocking, limitations on access to shelf space and the removal of our products; additional requirements related to safety, environmental, social and other sustainability issues. If sales of our products materially decrease or cease as a result of changes to any group of customers' or individual key customer's policies or requirements or our inability to respond adequately to such changes, this could have a material adverse effect on our business, financial condition and results of operations.

Governments may reduce their spending on healthcare, which could adversely affect the business that we do with public institutions.

Customers in our Healthcare Division primarily consist of government and health administration authorities and other third party payers. Consequently, sales through that division, which are largely of adult incontinence products, depend, in part, on the extent to which payments and reimbursements for our products are available from these customers. Given recent pressure to reduce government spending

in many countries, payments or reimbursements for our products may be delayed, reduced or cancelled, governments could default or the collection of outstanding accounts receivable could become more difficult. As a result of our acquisition in 2013 of Serenity S.p.a. ("Serenity"), an Italian manufacturer of incontinence products, we are particularly exposed to this risk, since Serenity currently generates more than half of its revenue from public tender contracts with regional health authorities. We believe that due to the necessity of our adult incontinence products, any reduction or cancellation of payments or reimbursements for these products by governments or other parties will result, over time, in an increase in sales of such products through retail channels. There may, however, be a significant lag in this increase and there can be no assurance that any such reduction or cancellation of payments or reimbursements will be fully compensated by an increase in sales through our other divisions. Moreover, certain of the public tender contracts to which we are party allow health authorities to demand a reduction in price in line with prevailing market conditions. If we refuse to reduce our prices accordingly, the relevant public health authority has the ability to terminate the contract. Any reduction or cancellation of payments or reimbursements for adult incontinence products sold through the Healthcare Division could have a material adverse effect on our business, financial condition and results of operations.

We rely on key personnel and on our ability to attract and retain employees.

The successful management and operation of our business depends in part upon the contribution of our executive management team and other key personnel. In addition, our future success depends in part on our ability to continue to recruit, train, motivate and retain employees. The loss of, or diminution in, service of any of our executive management team or other key personnel, or our inability to attract and retain new employees, could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to losses that might be completely or partially uninsured.

We maintain insurance policies with respect to certain operating risks, including product liability, damage to property (including buildings, plants, machinery and stock, including as a result of catastrophic events such as fire, flood, storms and earthquakes), industrial accidents, directors' and officers' liability and toxic shock syndrome. There can be no assurance that the level of insurance we maintain is appropriate for the risks to our business or adequate to cover all potential claims. Certain types of losses (such as freight losses and losses resulting from terrorist activities and wars) are not covered by our insurance policies and may be either completely or partially uninsurable or not insurable on commercially reasonable terms. A completely or partially uninsured loss suffered by us could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to extend, renew or renegotiate our collective bargaining agreements or if our relationship with our employees or trade unions deteriorates, our business could be adversely affected.

We had an average of 4,981 full-time equivalent employees during the year ended December 31, 2013. A majority of our employees in Belgium, France, Spain, Italy and Germany are covered by collective bargaining agreements or represented by trade unions, local works councils or the European Works Council. In Turkey, approximately 70% of our employees were covered by collective bargaining agreements and in Algeria, virtually all of our workers are covered by collective bargaining agreements. *See "Business — Employees"* for further details of our collective bargaining agreements. There can be no assurance that we will be able to renew our collective bargaining agreements on favorable terms.

Furthermore, in the future, should there be significant industrial action, disruptive works council activity or disturbances across our workforce, we could experience a disruption of operations and increased costs as a result. Although we can generally shift production to other facilities that are not affected by industrial action, there can be no assurance that we will be able to do so in all cases.

Our business may also be adversely affected as a result of a deterioration of our relationship with our employees, trade unions and other employee representative bodies. We continuously seek to optimise our operating efficiency, including by rationalising our manufacturing footprint, and we have closed production facilities in the past and may do so in the future. For example, in 2011, we closed our production facility in Villefranche, France and in 2013, we closed our production facility in Recklinghausen, Germany. We may face industrial action or employees may otherwise oppose the closure of production facilities. Any such actions could result in a deterioration of our relationship with our employees. Any deterioration in our relationships with employees, trade unions, local work councils or the European Works Council could have a material adverse effect on our business, financial condition and results of operations.

Increasing labor costs may adversely affect our profitability.

An increase in our labor and employee benefit costs could adversely affect our profitability. Most of the factors affecting labor costs are beyond our control and we may not be able to adjust our pricing to reflect an increase in labor costs. A shortage of qualified employees, general inflationary pressure on wages or an increase in national minimum wages or industry or union agreed wages in any of the jurisdictions in which we operate could increase our labor costs and have a material adverse effect on our business, financial condition and results of operations.

Failure of our information systems and software could adversely affect our operations.

Our business is dependent on the effective operation of our information technology, databases, telecommunications networks, computer systems and other infrastructure, in particular the IT platform we use to manage our operations, including sales, customer service, logistics and administration. Any failure of our information technology networks and systems could result in unforeseen expenses, disrupt our operations and adversely affect our relationships with our customers, suppliers and others. In addition, our information systems may be subject to damage or unanticipated interruptions from fire, flood, storms and other natural disasters, power loss, computer system or network failures, operator negligence, physical or electronic loss of data, security breaches, computer viruses, telecommunications failures, vandalism or other extraordinary events. While we do maintain two centralized backup data storage facilities, business continuity planning and contracts with on-site IT consultants, there can be no assurance that any such failure, damage or interruption would not have a material adverse effect on our operations and thereby our business, financial condition and results of operations.

Health, safety and environmental regulations may subject us to significant costs and liabilities.

We are subject to health, safety and environmental regulations in the jurisdictions in which we operate. Legislation in these areas has tended to become broader and stricter over time, and enforcement has tended to increase. For example, our activities are likely to be covered by increasingly strict national and international standards relating to environmental protection, which may have a material adverse effect on our business, financial condition or results of operations. We cannot predict the amounts of any increases in capital expenditures or operating expenses that we may incur to comply with applicable environmental or other regulatory requirements, or whether these costs can be passed on to customers through price increases.

We believe that our operations are in material compliance with applicable health, safety and environmental laws and regulations. We can give no assurance, however, that we will continue to be in compliance or that we will not be required to pay penalties or expenses associated with compliance issues in the future. Non-compliance with such laws and regulations may give rise to significant liability, including fines, damages, fees and expenses and site closures, all of which could have a material adverse effect on our business, financial condition and results of operations.

Changes in assumptions underlying the carrying value of our assets, including as a result of adverse market conditions, could result in impairment of such assets, including intangible assets such as goodwill.

As of December 31, 2013, we had goodwill and other intangible assets of €864.8 million. There can be no assurance that we will not in the future be required to recognize an impairment charge in respect of our goodwill or other intangible assets.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Goodwill on acquisitions of subsidiaries is included in intangible assets and is tested annually for impairment and carried at cost less accumulated impairment losses.

Although we did not recognize any impairments in respect of goodwill or other intangible assets during the years ended December 31, 2013, 2012 or 2011, there can be no assurance as to the absence of significant impairment charges in the future, especially if market conditions were to deteriorate. While impairments do not affect our cash flows, any impairment charge could have a material adverse effect on our results of operations.

Changes in tax rates, tax liabilities or tax accounting rules could affect future results.

As a multi-national company, we are subject to taxation in various jurisdictions. Significant judgment is required to determine worldwide tax liabilities, including, among other reasons, because tax laws and regulations in effect in the various countries in which we operate do not always provide clear and definitive guidelines. Our effective tax rates and tax exposure could be affected by changes in the composition of our earnings in countries or jurisdictions with higher or lower tax rates, changes to transfer pricing rules, changes in the valuation of our deferred tax assets and liabilities, our ability to utilize tax losses and tax credits (of which we had €566.7 million as of December 31, 2013) or changes in the tax laws and the way such tax laws are applied by tax administrations (possibly with retroactive effect), including through tax rulings issued by the relevant competent tax authorities.

In addition, we are subject to regular audits of our income tax returns by the tax authorities in Belgium and the various countries in which we operate. From time to time various governments together with the European Union and the OECD make substantive changes to tax rules and the application of rules to companies, including changes potentially impacting our ability to defer taxes on international earnings. We regularly assess the likelihood of favorable or unfavorable outcomes in tax audits and amendments to tax laws and regulations in order to determine the adequacy of our provision for income taxes. Although we believe our tax estimates are reasonable, there can be no assurance that any final determination will not be materially different from the treatment reflected in our historical

income tax provisions and accruals. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to our Financial Profile

We require a significant amount of cash to service our debt and sustain our operations. Our ability to generate sufficient cash depends on many factors beyond our control.

Our ability to make payments on and to refinance our debt, and to fund working capital and capital expenditures, will depend on our future operating performance and ability to generate sufficient cash. This depends, to some extent, on the success of our business strategy and on general economic, financial, competitive, market, legislative, regulatory and other factors, as well as the other factors discussed in these "Risk Factors," many of which are beyond our control.

We cannot assure you that our business will generate sufficient cash flows from operations, that currently anticipated cost savings, revenue growth and operating improvements will be realized or that future debt and equity financing will be available to us in an amount sufficient to enable us to pay our debts when due, including the Notes, or to fund our other liquidity needs.

If our future cash flows from operations and other capital resources (including borrowings under the Revolving Credit Facility) are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities and capital expenditures;
- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. Additionally, in certain circumstances, we may not be able to draw on our Revolving Credit Facility. Any failure to make payments on the Notes on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of our debt, including the Notes and the Revolving Credit Facility, limit, and any future debt may limit, our ability to pursue any of these alternatives. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business, financial condition and results of operations. There can be no assurance that any assets which we could be required to dispose of can be sold or that, if sold, the timing of such sale and the amount of proceeds realized from such sale will be acceptable.

Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes and the Guarantees.

The degree to which we will remain leveraged following the issuance of the Notes could have important consequences to holders of the Notes, including, but not limited to:

- making it difficult for us to satisfy our obligations with respect to the Notes;
- increasing our vulnerability to and reducing our flexibility to respond to general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow, and limiting the ability to obtain additional financing to, fund working capital, capital expenditures, acquisitions, joint ventures, or other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate; and
- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Notes.

In addition, our debt under the Revolving Credit Facility and the Floating Rate Notes bear interest at a variable rate which is based on EURIBOR plus an agreed margin and certain additional costs (as defined in the Revolving Credit Facility). Fluctuations in EURIBOR, or the occurrence of a market disruption event (as defined in the Revolving Credit Facility) may increase our overall interest burden and could have a material adverse effect on our ability to service our debt obligations.

We may also be able to incur substantial additional indebtedness in the future. Although the Revolving Credit Facility and each of the Senior Secured Notes Indenture and Senior Notes Indenture contains restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness that could be incurred in compliance with those restrictions could be substantial. In addition, the Revolving Credit Facility does not, and the Senior Secured Notes Indenture and Senior Notes Indenture do not, prevent us from incurring obligations that do not constitute indebtedness under those agreements.

We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.

The Revolving Credit Facility contains, and the Senior Secured Notes Indenture and Senior Notes Indenture contain, covenants that restrict our ability to, among other things:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions;
- make certain investments;
- create encumbrances or restrictions on the ability of restricted subsidiaries to pay dividends or make other distributions, loans or advances to, and on the transfer of assets to, the Issuer or any of its restricted subsidiaries;
- sell, lease or transfer certain assets, including stock of restricted subsidiaries;

- engage in certain transactions with affiliates;
- consolidate or merge with other entities; and
- impair the security interest for the benefit of the holders of the relevant Notes.

All of these limitations will be subject to significant exceptions and qualifications. The covenants to which we are subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest.

In addition, we are subject to the affirmative and financial covenants contained in the Revolving Credit Facility. For example, the Revolving Credit Facility requires us to maintain a financial ratio in relation to drawn super senior gross leverage. Our ability to meet this financial ratio and test can be affected by events beyond our control, and we cannot assure you that we will meet them. A breach of any of those covenants, ratios, tests or restrictions could result in an event of default under the Revolving Credit Facility. Upon the occurrence of any event of default under the Revolving Credit Facility, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the facilities and elect to declare all amounts outstanding under the Revolving Credit Facility, together with accrued interest, immediately due and payable. In addition, any default under the Revolving Credit Facility could lead to an event of default and acceleration of payment of amounts outstanding under other debt instruments that contain cross-default or cross-acceleration provisions, including the Senior Secured Notes Indenture and Senior Notes Indenture. If our creditors, including the creditors under the Revolving Credit Facility, accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries that would be due and payable and to make payments to enable us to repay the Notes, in full or in part. In addition, if we are unable to repay those amounts, our creditors could proceed against any collateral granted to them to secure repayment of those amounts.

Risks Related to the Senior Secured Notes

Creditors under the Revolving Credit Facility and certain hedging liabilities are entitled to be repaid with the proceeds of the Collateral sold in any enforcement procedure in priority to the Notes.

The obligations under the Senior Secured Notes and Senior Secured Guarantees are secured by security interests over the Collateral, which also secures our obligations under the Revolving Credit Facility and certain hedging obligations. The Indenture also permits the Collateral to be pledged to secure additional indebtedness in accordance with the terms thereof and the Intercreditor Agreement.

Pursuant to the Intercreditor Agreement, the liabilities under the Revolving Credit Facility and certain hedging obligations will have priority over any amounts received from the sale of the Collateral pursuant to an enforcement action taken with respect to the Collateral. As such, in the event of a foreclosure of the Collateral, you may not be able to recover on the Collateral if the then outstanding claims under the Revolving Credit Facility and such amount in respect of such hedging obligations are greater than the proceeds realized. Any proceeds from an enforcement sale of the Collateral by any creditor will, after all obligations under the Revolving Credit Facility and such amount in respect of such hedging obligations have been discharged from such recoveries, be applied pro rata in repayment of the Senior Secured Notes and any other obligations secured by the Collateral. The Intercreditor Agreement provides that common Security Agents, who will also serve as the security agents for the lenders under the Revolving Credit Facility, our hedging obligations and any additional secured debt permitted to be

incurred under the Indenture and the Revolving Credit Facility, will act only as provided for in the Intercreditor Agreement. In general, the facility agent under the Revolving Credit Facility and holders of any permitted future secured debt, voting as provided below, will have, subject to certain restrictions, the ability to provide enforcement instructions to the Security Agents to enforce the shared Collateral. The Intercreditor Agreement provides that where there is an inconsistency between enforcement instructions provided by the holders of 66 2/3% of the aggregate of all outstanding liabilities under the Revolving Credit Facility and certain hedging liabilities (the "Majority Super Senior Creditors") and the holders of 66 2/3% of the total "Senior Secured Credit Participations," being the aggregate of (a) the outstanding principal amount of the Existing Notes; (b) the outstanding principal amount of any Pari Passu Debt; and (c) the actual unpaid or assumed termination or close-out amount of our hedging agreements to the extent not included in the determination of Majority Super Senior Creditors. However, if and to the extent the obligations under the Revolving Credit Facility have not been fully discharged within six months of such enforcement instructions first being issued or an insolvency event (as defined in the Intercreditor Agreement) occurs, the enforcement instructions provided by the Majority Super Senior Creditors will prevail. The lenders under the Revolving Credit Facility, certain hedging counterparties or lenders of any other future class of debt that ranks pari passu with the indebtedness under the Revolving Credit Facility may have interests that are different from the interests of holders of the Senior Secured Notes and they may, subject to the terms of the Intercreditor Agreement, elect to pursue their remedies under the security documents at a time when it would be disadvantageous for the holders of the Senior Secured Notes to do so.

The Senior Secured Notes are secured only to the extent of the value of the Collateral that has been granted as security for the Senior Secured Notes and the Senior Secured Guarantees, and such security may not be sufficient to satisfy the obligations under the Senior Secured Notes and the Senior Secured Guarantees.

If there is an event of default on the Senior Secured Notes, the holders of the Senior Secured Notes are secured only by the Collateral, which includes the capital stock and substantially all the assets of the Issuer and the Guarantors. There is no guarantee that the value of the Collateral will be sufficient to enable the Issuer to perform its obligations under the Senior Secured Notes. There is no requirement to provide funds to enhance the value of the Collateral if it is insufficient. The proceeds of any sale of the Collateral following an event of default with respect to the Senior Secured Notes may not be sufficient to satisfy, and may be substantially less than, amounts due on the Senior Secured Notes.

The amount of proceeds realized upon the enforcement of the security interests over the Collateral or in the event of liquidation will depend upon many factors, including, among others, whether or not our business is sold as a going concern, the jurisdiction in which the enforcement action or sale is completed, the ability to readily liquidate the Collateral, the availability of buyers and the condition of the Collateral and exchange rates. Furthermore, there may not be any buyer willing and able to purchase our business as a going concern, or willing to buy a significant portion of its assets in the event of an enforcement action. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. Portions of the Collateral may be illiquid and may have no readily ascertainable market value. Some of these contracts may be material to the Issuer or the Guarantors or may be necessary to operate essential facilities, or conduct its business operations and such exclusion or termination could have a material adverse effect on the value of the Collateral or the ability to enforce or realize it.

By its nature, some or all of the Collateral may not have a readily ascertainable market value or may not be saleable or, if saleable, there may be substantial delays in its disposal. To the extent that

liens, security interests and other rights granted to other parties encumber assets owned by the Issuer or the Guarantors, those parties have or may exercise rights and remedies with respect to the property subject to their liens, security interests or other rights that could adversely affect the value of that Collateral and the ability of the Trustee or investors as holders of the Senior Secured Notes to realize or enforce that Collateral. If the proceeds of any sale of Collateral are not sufficient to repay all amounts due on the Senior Secured Notes and the Guarantees, investors (to the extent not repaid from the proceeds of the sale of the Collateral) would have only an unsecured claim against the Issuer's and the Guarantors' remaining assets. Each of these factors or any challenge to the validity of the Collateral or the intercreditor arrangement governing our creditors' rights could reduce the proceeds realized upon enforcement of the Collateral. In addition, there can be no assurance that the Collateral could be sold in a timely manner, if at all. Proceeds from enforcement sales of capital stock and assets that are part of the Collateral must first be applied in satisfaction of obligations under the Revolving Credit Facility and counterparties under certain hedging obligations and thereafter towards application to repay on a pari passu basis the obligations of the Issuer and the Guarantor under the Senior Secured Notes and certain other Hedging Liabilities. In addition, the indenture governing the Senior Secured Notes will allow incurrence of certain additional permitted debt in the future that is secured by the Collateral on a priority or pari passu basis.

To the extent that other first priority security interests, preexisting liens, liens permitted under the Indenture and other rights encumber the Collateral securing the Senior Secured Notes, those parties may have or may exercise rights and remedies with respect to the Collateral that could adversely affect the value of the Collateral and the ability of the Security Agents to realize or foreclose on the Collateral.

The Issuer and the Guarantors will continue to have control over the Collateral securing the Senior Secured Notes, and the sale of particular assets could reduce the pool of assets securing the Senior Secured Notes.

The Security Documents allow the Issuer and the Guarantors to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the Collateral securing the Senior Secured Notes. So long as no default or event of default under the Indenture would result therefrom, the Issuer and the Guarantors may, among other things, without any release or consent by the Security Agents, conduct ordinary course activities with respect to the Collateral, such as selling, factoring, abandoning or otherwise disposing of Collateral and making ordinary course cash payments, including repayments of indebtedness.

It may be difficult to realize the value of the Collateral securing the Senior Secured Notes.

The Collateral securing the Senior Secured Notes is subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture and/or the Intercreditor Agreement and accepted by other creditors that have the benefit of first-priority security interests in the Collateral securing the Senior Secured Notes from time to time, including after the date the Senior Secured Notes were issued. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral securing the Senior Secured Notes, as well as the ability of the Security Agents to realize or foreclose on such Collateral. Furthermore, the first-priority ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or recharacterization under the laws of certain jurisdictions.

The security interests of the Security Agentsare subject to practical problems generally associated with the realization of security interests over real or personal property such as the Collateral. For

example, the Security Agents may need to obtain the consent of a third party to enforce a security interest. We cannot assure you that the Security Agents will be able to obtain any such consents. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agents may not have the ability to foreclose upon those assets, and the value of the Collateral may significantly decrease.

In addition, we are required to register our various operations with national regulators. Such requirements may prohibit foreclosure on our share capital or may require us to incur significant cost and expense due to such requirements. Furthermore, there can be no assurance that any applicable governmental authorities will consent to such action. If any regulatory approvals that are required are not obtained or are delayed, the foreclosure may be delayed, a temporary shutdown of operations may result and the value of the Collateral may be significantly decreased.

The security interests in the Collateral are granted to the Security Agents rather than directly to the holders of the Senior Secured Notes. The ability of the Security Agents to enforce certain of the Collateral may be restricted by local law.

The security interests in the Collateral that will secure our obligations under the Senior Secured Notes and the obligations of the Guarantors under the Senior Secured Guarantees are not be granted directly to the holders of the Senior Secured Notes but are granted only in favor of the relevant Security Agents. The Indenture provides (along with the Intercreditor Agreement) that only the Security Agents have the right to enforce the security documents. As a consequence, holders of the Senior Secured Notes do not have direct security interests and are not be entitled to take enforcement action in rect of the collateral securing the Senior Secured Notes, except through the Trustee, who will (subject to the provisions of the Indenture) provide instructions to the Security Agents in respect of the Collateral.

Where a parallel debt structure is used, the security interests in the form of a pledge or other security interest in certain of the collateral that (if and when granted constitutes indirect security for the obligations of the Issuer under the Senior Secured Notes and the Indenture is not granted directly to the holders of Notes but only in favor of the relevant Security Agent, as beneficiary of parallel debt obligations (the “Parallel Debt”). The Parallel Debt is in the same amount and payable at the same time as the obligations of the Issuer under the Indenture and the Senior Secured Notes (the “Principal Obligations”). Any payment in respect of the Principal Obligations will discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt will discharge the corresponding Principal Obligations. Although the Security Agents will have, pursuant to the Parallel Debt, a claim against the Issuer for the full principal amount of the Senior Secured Notes, holders of the Senior Secured Notes bear some risks associated with a possible insolvency or bankruptcy of the Security Agents. The Parallel Debt obligations referred to above are contained in the Intercreditor Agreement and the Indenture, which are governed by English and New York law, respectively. There is no assurance that such a structure will be effective before the courts in the jurisdictions where Parallel Debt structures are utilized as there is no judicial or other guidance as to its efficacy, and therefore the ability of the Security Agents to enforce the Collateral may be restricted. The registration of Collateral (if required) may be rejected if the relevant registrar considers that the structure is not valid or enforceable.

Corporate benefit and financial assistance laws and other limitations on the obligations under the Senior Secured Guarantees may adversely affect the validity and enforceability of the Guarantees.

The Guarantees provide the holders of the Senior Secured Notes with a right of recourse against the assets of the relevant Guarantors. Each of the Guarantees and the amounts recoverable thereunder are limited to the maximum amount that can be guaranteed by a particular Guarantor without

rendering the Guarantee, as it relates to that Guarantor, voidable or otherwise ineffective under applicable law. Enforcement of the obligations under the Senior Secured Notes against the Issuer and enforcement of a guarantee against a Guarantor is subject to certain defenses available to the Issuer or the relevant Guarantor, as the case may be. These laws and defenses may include those that relate to fraudulent conveyance, financial assistance, corporate benefit and regulations or defenses affecting the rights of creditors generally. If one or more of these laws and defenses are applicable, the Issuer or a Guarantor may have no liability or decreased liability under the Senior Secured Notes or its Guarantee may be unenforceable.

The granting of the security interests in connection with the issuance of the Senior Secured Notes, or the incurrence of permitted debt in the future, may create or restart hardening periods for such security interests in accordance with the laws applicable in certain jurisdictions.

The granting of security interests to secure the Senior Secured Notes and the Senior Secured Guarantees may create hardening periods for such security interests in certain jurisdictions. The granting of shared security interests to secure future permitted debt may restart or reopen such hardening periods in particular, as the Indenture permits the release and retaking of security granted in favor of the Senior Secured Notes in certain circumstances including in connection with the incurrence of future debt. The applicable hardening period for these new security interests can run from the moment each new security interest has been granted or perfected. At each time, if the security interest granted or recreated were to be enforced before the end of the respective hardening period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it.

The same rights also apply in connection with the accession of additional Guarantors and the granting of security interest over their relevant assets and equity interests for the benefit of holders of the Senior Secured Notes.

The interests of holders of the Senior Secured Floating Rate Notes and the interests of the holders of the Senior Secured Fixed Rate Notes may be inconsistent.

The Senior Secured Floating Rate Notes and the Senior Secured Fixed Rate Notes are issued pursuant to a single indenture and vote as a single class with respect to amendments, waivers or other modifications of the Senior Secured Indenture other than with respect to amendments, waivers or other modifications that will only affect the Senior Secured Floating Rate Notes or the Senior Secured Fixed Rate Notes, as the case may be. The Senior Secured Floating Rate Notes bear interest at a floating rate, have a different call schedule and call protection, and will have other features that will differ from the Senior Secured Fixed Rate Notes. As a result of these differences, the interests of holders of the Senior Secured Floating Rate Notes and the interests of holders of the Senior Secured Fixed Rate Notes could conflict. For example, the holders of one series of Senior Secured Notes may be in a position to agree to certain terms in a consent solicitation that would be beneficial to such series of Senior Secured Notes but adverse the economic interest of the other series of Senior Secured Notes; however, to the extent the relevant amendment or waiver is approved by the holders of a majority in aggregate principal amount of the Senior Secured Notes (subject to the limited exception described above), all holders will be bound by such amendment.

The Senior Secured Floating Rate Notes bear interest at floating rates that could rise significantly, increasing our interest cost and reducing cash flow.

The Senior Secured Floating Rate Notes bear interest at per annum rates equal to the three-month EURIBOR, adjusted periodically, plus a spread. Interest rates could rise significantly in the future,

thereby increasing our interest expense associated with these obligations, reducing cash flow available for capital expenditures and hindering the Issuer's ability to make payments on the Notes.

Risks Related to the Senior Notes

Claims by our secured creditors will have priority with respect to their security over the claims of the holders of the Senior Notes, to the extent of the value of the assets securing such indebtedness.

Claims by our secured creditors will have priority with respect to the assets securing their indebtedness over the claims of holders of the Senior Notes. As such, the claims of the holders of the Senior Notes will be effectively subordinated to any secured indebtedness and other secured obligations of the Issuer and the Guarantors (including obligations with respect to the Revolving Credit Facility and the Senior Secured Notes) to the extent of the value of the assets securing such indebtedness or other obligations. As of December 31, 2013, we had an aggregate principal amount of €675 million of secured financial liabilities outstanding, and up to €75 million available for additional borrowings under the Revolving Credit Facility. The Senior Notes Indenture provides for a negative pledge and allows us to incur a limited amount of senior secured indebtedness that is effectively senior to the Senior Notes. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of the Issuer or any Guarantor that has secured obligations, holders of secured indebtedness will have prior claims to the assets of the Issuer and such Guarantor that constitute their collateral. Subject to the limitations referred to under the caption "—Risks Related to Our Structure—Luxembourg, Belgian, Czech, French, German, Spanish and Turkish insolvency laws and other jurisdictions may provide you with less protection than U.S. bankruptcy law," the holders of the Senior Notes will participate ratably with all holders of the unsecured indebtedness of the Issuer and the relevant Guarantor and, potentially with all of their other general creditors, based upon the respective amounts owed to each holder or creditor, in the remaining assets of the relevant Guarantor. In the event that any of the secured indebtedness of the Issuer or the relevant Guarantor becomes due or the creditors thereunder proceed against the operating assets that secured such indebtedness, the assets remaining after repayment of that secured indebtedness may not be sufficient to repay all amounts owing in respect of the Senior Notes or the relevant Senior Note Guarantee. As a result, holders of Senior Notes may receive less, ratably, than holders of secured indebtedness of the Issuer or the relevant Guarantor.

The Senior Note Guarantees are subordinated to our existing and future senior debt.

The Senior Note Guarantees are each a general senior subordinated obligation of the relevant Guarantor and:

- are subordinated in right of payment to any existing and future senior indebtedness of that Guarantor, including the Senior Secured Notes and the Revolving Credit Facility;
- rank Pari Passu in right of payment with any existing and future senior subordinated indebtedness of such Guarantor;
- rank senior in right of payment to any existing and future indebtedness of such Guarantor that is expressly subordinated to the relevant Senior Note Guarantee; and
- are effectively subordinated to any existing and future indebtedness of that Guarantor that is secured to the extent of the value of the property or as sets securing such indebtedness.

In addition, no enforcement action with respect to the Senior Note Guarantees (or any future guarantee of the Senior Notes, if any) may be taken unless (subject to certain limited exceptions): (i) there is a default on the Senior Notes outstanding after a period of 179 days from that date the Credit Facility Agent (as defined under "Description of Certain Financing Arrangements—Intercreditor Agreement—Creditor Representative"), the Senior Secured Notes Trustee or the credit or representative for holders of other senior secured debt delivers written notice of such default; (ii) an enforcement action has been taken with respect to certain secured liabilities; provided that the Senior Notes and holders of the Senior Notes will be limited to taking the same action; or (iii) with respect to any enforcement action in relation to a particular Guarantor of the Senior Notes, an insolvency event has occurred with respect to such Guarantor. Upon any distribution to the creditors of a Guarantor in liquidation, administration, bankruptcy, moratorium of payments, dissolution or other winding up of such Guarantor, the holders of senior debt of such Guarantor will be entitled to be paid in full before any payment may be made with respect to the Senior Note Guarantees. As a result, holders of Senior Notes may receive less, ratably, than the holders of senior debt of the Guarantors, including the lenders under the Revolving Credit Facility and holders of the Senior Secured Notes and the hedge counterparty.

Risks Related to Our Structure

The Issuer is a holding company that has no revenue-generating operations of its own and depends on cash from our operating companies to be able to make payments on the Notes or the Guarantees.

The Issuer is a holding company with no business operations or significant assets other than the equity interests it holds in its subsidiaries. The Issuer is dependent upon the cash flow from its operating subsidiaries in the form of dividends or other distributions or payments to meet its obligations, including its obligations under the Notes. We intend to provide funds to the Issuer in order for the Issuer to meet its obligations under the Notes through a combination of dividends and interest payments on the intercompany loans. Our obligations under the intercompany loans are junior obligations and are subordinated in right of payment to all existing future senior secured and senior subordinated indebtedness of the Issuer, including obligations under the Revolving Credit Facility and the Notes. If our subsidiaries do not fulfill their obligations under the intercompany loans and do not distribute cash to the Issuer to make scheduled payments on the Notes, the Issuer will not have any other source of funds that would allow it to make payments to the holders of the Notes. The amounts of dividends and distributions available to the Issuer depends on the profitability and cash flows of its subsidiaries and the ability of those subsidiaries to issue dividends under applicable law. The subsidiaries of the Issuer, however, may not be able to, or may not be permitted under applicable law to, make distributions or advance upstream loans to the Issuer to make payments in respect of its indebtedness, including the Notes and the Guarantees. Various agreements governing our debt may restrict, and in some cases, may actually prevent the ability of the subsidiaries to move cash within their restricted group. In addition, the subsidiaries of the Issuer that do not guarantee the Notes have no obligation to make payments with respect to the Notes.

The Senior Secured Notes and Senior Notes are each structurally subordinated to the liabilities of non-Guarantor subsidiaries.

Some, but not all, of the Issuer's subsidiaries guarantee the Notes. Unless a subsidiary is a Guarantor, such subsidiary will not have any obligations to pay amounts due under the Notes or to make funds available for that purpose. Generally, holders of indebtedness of, and trade creditors of, non-guarantor subsidiaries, including lenders under bank financing agreements, are entitled to payments of

their claims from the assets of such subsidiaries before these assets are made available for distribution to the Issuer or any Guarantor, as a direct or indirect shareholder.

Accordingly, in the event that any non-guarantor subsidiary becomes insolvent, is liquidated, reorganized or dissolved or is otherwise wound up other than as part of a solvent transaction:

- the creditors of the Issuer (including the holders of the Senior Secured Notes and the Senior Notes) and the Guarantors will have no right to proceed against the assets of such subsidiary; and
- creditors of such non-guarantor subsidiary, including trade creditors, will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before the Issuer or any Guarantor, as a direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary.

As such, the Notes and each Guarantee will be structurally subordinated to the creditors (including trade creditors) and any preferred stockholders of our non-guarantor subsidiaries.

As of the issue date of the Notes, the subsidiaries of the Issuer that are not Guarantors would have had *de minimis* total third-party funded indebtedness, as well as trade payables and tax liabilities, to which the Notes and the Guarantees are structurally subordinated.

We may not be able to obtain the funds required to repurchase the Senior Secured Notes and the Senior Notes upon a change of control.

The Senior Secured Notes Indenture and the Senior Notes Indenture each contain provisions relating to certain events constituting a “change of control” of the Issuer. Upon the occurrence of a change of control, we will be required to offer to repurchase all outstanding Senior Secured Notes and Senior Notes at a price equal to 101% of their principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of repurchase. If a change of control were to occur, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuer to pay the purchase price of the outstanding Senior Secured Notes or Senior Notes or that the restrictions in our Revolving Credit Facility, the Indenture, the Intercreditor Agreement or our other then existing contractual obligations would allow us to make such required repurchases. A change of control may result in an event of default under, or acceleration of, our Revolving Credit Facility and other indebtedness. The repurchase of the Senior Secured Notes and the Senior Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The ability of either the Issuer to receive cash from its subsidiaries to allow them to pay cash to the holders of the Notes following the occurrence of a change of control, may be limited by our then existing financial resources. In addition, under the terms of the Revolving Credit Facility, under certain circumstances, we are required to repay and cancel a pro rata amount of debt under our Revolving Credit Facility if we repay all or a portion of the principal under the Senior Secured Notes and/or Senior Notes. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control occurs at a time when we are prohibited from providing funds to the Issuer for the purpose of repurchasing the Notes, we may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuer will remain prohibited from repurchasing any Notes. In addition, we expect that we would require third-party financing to make an offer to repurchase the Senior Secured Notes and the Senior Notes upon a change of control. We cannot assure you that we would be able to obtain such financing. Any failure by the Issuer to offer to purchase the Senior Secured Notes and the Senior Notes would

constitute a default under each of the Senior Secured Notes Indenture and the Senior Notes Indenture, respectively, which would, in turn, constitute a default under the Revolving Credit Facility.

The change of control provision contained in the Senior Secured Notes Indenture and the Senior Notes Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "Change of Control" as defined in the Indenture. Except as described under "Description of the Senior Secured Notes—Purchase of Notes upon a Change of Control," and "Description of the Senior Notes—Purchase of Notes upon a Change of Control," each Indenture does not contain provisions that would require the Issuer to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of "Change of Control" in each Indenture includes a disposition of all or substantially all of the assets of the Issuer and its restricted subsidiaries, taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the relevant Issuer's assets and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

Luxembourg, Belgium, Czech, French, German, Italian, Spanish and Turkish insolvency laws and other jurisdictions may provide you with less protection than U.S. bankruptcy law.

The Issuer is incorporated under the laws of Luxembourg. Accordingly, insolvency proceedings with respect to the Issuer would be likely to proceed under, and be governed by, Luxembourg insolvency law. The Guarantors are incorporated under the laws of Belgium, the Czech Republic, France, Germany, Italy, Spain and Turkey. Accordingly, insolvency proceedings with respect to the Guarantors incorporated in Belgium, the Czech Republic, France, Germany, Italy, Spain and Turkey would be likely to proceed under, and be governed by, the law of those jurisdictions. Luxembourg, Belgian, Czech, French, German, Italian, Spanish and Turkish insolvency laws may not be as favorable to investors as the laws of the United States or other jurisdictions with which investors are familiar. In the event that any one or more of the Issuer or Guarantors experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings.

In the event that any one or more of the Issuer, the Guarantors, future Guarantors, if any, or any other of our subsidiaries experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Guarantees and Collateral provided by entities organized in jurisdictions not discussed in this Report are also subject to material limitations pursuant to their terms, by statute or otherwise. Any enforcement of the Guarantees or security after bankruptcy or an insolvency event in such other jurisdictions will be subject to the insolvency laws of the relevant entity's jurisdiction of organization or other jurisdictions. The insolvency and other laws of each of these jurisdictions may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfer, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should

apply, adversely affect your ability to enforce your rights under the Guarantees or the Collateral in these jurisdictions and limit any amounts that you may receive.

Each Guarantee is subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.

Each Senior Secured Note Guarantee and Senior Note Guarantee provides the relevant holders of the Notes with a direct claim against the relevant Guarantor. However, the Indenture provides that each Guarantee is limited to the maximum amount that can be guaranteed by the relevant Guarantor without rendering the relevant Guarantee, as it relates to that Guarantor, voidable or otherwise ineffective or limited under applicable law, and enforcement of each Guarantee would be subject to certain generally available defenses.

Enforcement of any of the Guarantees against any Guarantor is subject to certain defenses available to Guarantors in the relevant jurisdiction. Although laws differ among these jurisdictions, these laws and defenses generally include those that relate to corporate purpose or benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, financial assistance, preservation of share capital, thin capitalization, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally. If one or more of these laws and defenses are applicable, a Guarantor may have no liability or decreased liability under its Guarantee depending on the amounts of its other obligations and applicable law.

Although laws differ among various jurisdictions, in general, under bankruptcy or insolvency law and other laws, a court could (i) avoid or invalidate all or a portion of a Guarantor's obligations under its Guarantee, (ii) direct that the holders of the Notes return any amounts paid under a Guarantee to the relevant Guarantor or to a fund for the benefit of the Guarantor's creditors or (iii) take other action that is detrimental to you, typically if the court found that:

- the relevant Guarantee was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the Guarantor or, in certain jurisdictions, when the granting of the Guarantee has the effect of giving a creditor a preference or when the recipient was aware that the Guarantor was insolvent when it granted the relevant Guarantee;
- the Guarantor did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Guarantee and the Guarantor was: (i) insolvent or rendered insolvent because of the relevant Guarantee; (ii) undercapitalized or became undercapitalized because of the relevant Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the relevant Guarantee was held to exceed the corporate objects of the Guarantor or not to be in the best interests or for the corporate benefit of the Guarantor; or
- the amount paid or payable under the relevant Guarantee was in excess of the maximum amount permitted under applicable law.

These or similar laws may also apply to any future guarantee granted by any of our subsidiaries pursuant to the Indenture.

We cannot assure you which standard a court would apply in determining whether a Guarantor was "insolvent" at the relevant time or that, regardless of method of valuation, a court would not determine that a Guarantor was insolvent on that date, or that a court would not determine, regardless

of whether or not a Guarantor was insolvent on the date its Guarantee was issued, that payments to holders of the Notes constituted preferences, fraudulent transfers or conveyances on other grounds.

The liability of each Guarantor under its Guarantee is limited to the amount that will result in such Guarantee not constituting a preference, fraudulent conveyance or improper corporate distribution or otherwise being set aside. There can be no assurance as to what standard a court will apply in making a determination of the maximum liability of each Guarantor. There is a possibility that the entire Guarantee may be set aside, in which case the entire liability may be extinguished.

If a court decided that a Guarantee was a preference, fraudulent transfer or conveyance and voided such Guarantee, or held it unenforceable for any other reason, you may cease to have any claim in respect of the relevant Guarantor and would be a creditor solely of the Issuer and, if applicable, of any other Guarantor under the relevant Guarantee which has not been declared void. In the event that any Guarantee is invalid or unenforceable, in whole or in part, or to the extent the agreed limitation of the Guarantee obligations apply, the Notes would be effectively subordinated to all liabilities of the applicable Guarantor, and if we cannot satisfy our obligations under the Notes or any Guarantee is found to be a preference, fraudulent transfer or conveyance or is otherwise set aside, we cannot assure you that we can ever repay in full any amounts outstanding under the Notes.

You may be unable to recover in civil proceedings for U.S. securities laws violations.

The Issuer is organized under the laws of Luxembourg and the Guarantors are organized under the laws of Belgium, the Czech Republic, France, Germany, Italy, Spain and Turkey. It is anticipated that some or all of the directors and executive officers of the Issuer and each of the Guarantors will be non-residents of the United States and that some of their assets will be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon us, the Guarantors or our or their respective directors and executive officers, or to enforce any judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws. In addition, neither we nor the Guarantors assure you that civil liabilities predicated upon the federal securities laws of the United States will be enforceable in any of the above-mentioned jurisdictions, other than the United States of America.

There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Senior Secured Notes and the Senior Secured Guarantees will be released automatically and under which the Senior Secured Note Guarantees and the Senior Note Guarantees will be released automatically, without your consent or the consent of the Trustee.

Under various circumstances, Collateral securing the Senior Secured Notes and the Senior Secured Note Guarantees will be released automatically, including:

- in connection with any sale or other disposition of the property or assets constituting Collateral, if the sale or other disposition does not violate the “Assets Sales” covenant or other provisions of the Senior Secured Notes Indenture;
- in the case of a Guarantor that is released from its Guarantee pursuant to the terms of the Senior Secured Notes Indenture, the release of the property and assets, and share capital, of such Guarantor;
- if the Issuer designates any restricted subsidiary to be an unrestricted subsidiary in accordance with the applicable provisions of the Senior Secured Notes Indenture, the release of the property and assets, and share capital, of such subsidiary;

- in accordance with the "Amendments and Waivers" provisions of the Indenture;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided under the captions "Description of the Senior Secured Notes—Legal defeasance or covenant defeasance of Indenture" and "Description of the Senior Secured Notes—Satisfaction and discharge"; or
- in connection with a distressed disposal or an enforcement sale pursuant to the Intercreditor Agreement.

In addition, under various circumstances, the Senior Secured Note Guarantees and the Senior Note Guarantees will be released automatically, including:

- in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger or consolidation) or the share capital (directly or indirectly) of that Guarantor to a person that is not (either before or after giving effect to such transaction) the relevant Issuer or a restricted subsidiary of such Issuer, if the sale or other disposition does not violate the "Asset Sales" provisions of the Indenture;
- in connection with any sale or other disposition (directly or indirectly) of the capital stock of a Guarantor to a person that is not (either before or after giving effect to such transaction) the relevant Issuer or a restricted subsidiary of such Issuer, if the sale or other disposition does not violate the "Asset Sales" provisions of the Indenture and the relevant Guarantor ceases to be a Restricted Subsidiary (as defined in "*Description of the Notes*") as a result of the sale or other disposition;
- if the Issuer designates any restricted subsidiary that is a Guarantor to be an unrestricted subsidiary in accordance with the applicable provisions of the Indenture;
- in accordance with the "Amendments and Waivers" provisions of the Indenture;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided under the captions "*Description of the Notes—Legal defeasance or covenant defeasance of Indenture*," and "*Description of the Notes—Satisfaction and discharge*"; or
- in connection with a distressed disposal or an enforcement sale pursuant to the Intercreditor Agreement.

In addition, the Senior Note Guarantees are subject to release upon an enforcement sale as contemplated under the Intercreditor Agreement. Unless consented to, the Intercreditor Agreement provides that the Security Agents shall not, in an enforcement scenario, exercise their rights to release the relevant Guarantees or security interests in the Collateral unless the relevant sale or disposal is made:

- for consideration all or substantially all of which is in the form of cash or, if not, then the fairness opinion referred to below is obtained;
- to the extent there is a release of Guarantees granted for the benefit of the holders of Senior Notes, concurrently with the discharge or release of the indebtedness of the disposed entities to certain other creditors, including the creditors under the Revolving Credit Facility and holders of the Senior Secured Notes provided in some cases such claims may instead be sold or disposed of in the enforcement;

- and pursuant to a public auction, or a fairness opinion has been obtained from an internationally recognized investment bank or accounting firm selected by the Security Agents.

There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.

We cannot assure you as to:

- the liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices for the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of our prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your holding of the Notes at a fair value, if at all.

Additionally, although the existing Senior Secured Notes and Senior Notes are listed on the Official List and to be admitted to trading on the Euro MTF Market, we cannot assure you that either the Senior Secured Notes or the Senior Notes will remain listed. Although no assurance is made as to the liquidity of the Notes as a result of the admission to trading on the Euro MTF Market, the delisting (whether or not for an alternative admission to listing on another stock exchange) of the Notes from the Official List may have a material effect on a holder’s ability to resell the Notes in the secondary market.

Each Indenture will allow us to issue additional notes in the future, which could adversely impact the liquidity of the Notes.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Notes. The credit ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

The transferability of the Notes may be limited under applicable securities laws.

The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or any other jurisdiction and, unless so registered, may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and the applicable securities laws of any state or any other jurisdiction. It is the obligation of holders of the Notes to ensure that their offers and sales of the Notes within the United States and other countries comply with applicable securities laws.

Certain Relationships and Related Party Transactions

As part of our business, we have entered into several transactions with related parties, including our principal shareholders. The following is a summary of our most significant transactions with related parties for the year ended December 31, 2013 and as of the date hereof.

Ruralbridge Consultancy Agreement

On November 18, 2010, Ontex IV S.A. entered into a consultancy agreement with Ruralbridge Limited ("Ruralbridge") pursuant to which Michael Teacher, Christopher Parratt, Leigh Harrison and Peter Whitehead, who are directors and shareholders of Ruralbridge, provide consultancy services to Ontex IV to assist in growing sales, developing new products and markets, improving margins, improving manufacturing efficiency, reducing operating costs, reducing working capital, and identifying and acquiring businesses that are complementary to Ontex.

The consultancy agreement provided that in consideration for such services, Ontex IV would pay an annual fee to Ruralbridge. Subject to certain exceptions, the consultancy agreement continued until it terminated with effect from June 30, 2013. Michael Teacher and Christopher Parratt served as our CEO and CFO until their departure in 2013, and each of Leigh Harrison and Peter Whitehead were members of the executive committee of the Company.

Pursuant to an amendment in force from 2013, Michael Teacher has been excluded from the consultancy agreement as of the start date of the mandate of Charles Bouaziz (January 22, 2013), although he remained available until termination of the consultancy agreement. With effect from June 30, 2013, the consultancy agreement was terminated. On July 1, 2013, Ontex IV S.A. entered into a new consultancy agreement with Ruralbridge with respect to further consulting services. On December 1, 2013, a new consultancy agreement was entered into with Leigh Harrison, and the agreement with Ruralbridge was terminated with effect from the same date. As Leigh Harrison is not a member of the executive team anymore, the actual agreement does not qualify as a related party transaction and will thus no longer be a part of subsequent reports thereon.

Monitoring Services Agreement

On December 2, 2010, Goldman, Sachs & Co. and TPG Capital, L.P. entered into a monitoring services agreement with Ontex I S.à r.l., Ontex II S.à r.l., Ontex II-A S.à r.l., Ontex III S.A. and the Issuer pursuant to which Goldman, Sachs & Co. and TPG Capital, L.P. perform certain monitoring, advisory and consulting services in relation to the affairs of the Group. The monitoring services agreement provides that in consideration for such services the Group shall collectively pay an annual fee plus out-of-pocket expenses. In addition, incremental fees are payable in connection with services related to acquisitions. Unless terminated by Goldman, Sachs & Co. and TPG Capital, L.P., the monitoring services agreement will continue for so long as GSCP VI and TPG Capital, L.P. are parties to the Shareholders' Agreement. The Goldman Group, Inc. (or one of its affiliates) is the investment manager of GSCP which indirectly owns approximately 46.7% of Ontex IV's outstanding equity, and TPG Capital, L.P. is an affiliate of TPG, which manages funds that own approximately 46.7% of the Issuer's outstanding equity.

Other

In 2011, British Vita supplied goods at "arm's length" to the Ontex Group through its subsidiary Libeltex. The 2012 revenue was €9.7 million (2011: €13.4 million) and at the end of 31 December 2012 Ontex owed the Group €2.1 million (2011: €3.3 million). British Vita was owned by a fund managed by

TPG Capital, L.P. and delivered goods to Ontex for over ten years. In September 2012, British Vita was sold to the TWE Group.

In 2013, the Ontex group sold goods at "arm's length" to Lenta, where TPG is a shareholder. The 2013 revenue was €4.7 million.

Material Debt Instruments

The following is a summary of the material terms of our material debt instruments. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements. Capitalized terms used in this section and not otherwise defined have the meanings given in the Revolving Credit Facility or the Intercreditor Agreement, as the case may be.

Revolving Credit Facility

General

The Issuer, the Guarantors, the other companies named therein, Goldman Sachs International and Merrill Lynch International, as mandated lead arrangers, the financial institutions named therein, as original lenders, Bank of America Securities Limited, as agent, Wilmington Trust (London) Limited, as security agent, and Citibank International plc, as Belgian co-security agent and Spanish co-security agent, have entered into the Revolving Credit Facility Agreement (the "Revolving Credit Facility") on March 25, 2011. The Revolving Credit Facility Agreement initially provided for borrowings up to an aggregate of €50.0 million, and on August 15, 2012, the Revolving Credit Facility was amended to provide for borrowings up to an aggregate amount of €75.0 million. Loans may be borrowed, repaid and reborrowed at any time. All obligations of the Issuer are unconditionally guaranteed by the Guarantors.

Maturity and Amortization

The Revolving Credit Facility matures on the sixth anniversary of the Issue Date of the Notes. Borrowings must be repaid in full on or prior to that date.

Interest Rate

The interest rate on cash advances under the Revolving Credit Facility is the aggregate of the applicable margin, LIBOR/EURIBOR (each as defined in the Revolving Credit Facility Agreement) and mandatory costs (if any). The margin may range from 3.75% to 3.00% based on the ratio of certain of our total net debt to EBITDA.

Security

The collateral is the same as for the Senior Secured Notes and shared with the holders of the Senior Secured Notes, proceeds of enforcement of the collateral will be used in discharge of the indebtedness under the Revolving Credit Facility and up to a maximum amount not exceeding €25.0 million of certain hedging obligations before discharge of the Senior Secured Notes (please see "—Intercreditor Agreement").

Notes Purchase Condition

The Revolving Credit Facility provides that any member of the Group may prepay, purchase, redeem, acquire or retire any Notes or *Pari Passu* Debt (future debt permitted to be *Pari Passu* with the Senior Secured Notes) (in each case, a "Notes Repurchase"), provided that if:

(i) a Notes Repurchase (together with any Notes Repurchase previously effected or to be effected as of the same date as such Notes Repurchase) exceeds 50% of the original

aggregate principal amount of the amount issued under the Senior Secured Notes Indenture and the Senior Notes Indenture; and

(ii) *pro forma* leverage immediately before the Notes Repurchase is greater than 3:00:1;

such Notes Repurchase (to the extent it exceeds the 50% limit in (i) above) shall be matched by a simultaneous cancellation of the commitments under the Revolving Credit Facility and (to the extent necessary as a result of such cancellation) prepayment of outstanding utilizations under the Revolving Credit Facility Agreement so that the commitments under the Revolving Credit Facility are reduced by the same proportion as that by which the outstanding Notes are reduced by such Notes Purchase.

While an event of default is continuing under the Revolving Credit Facility, any amount which would have otherwise been required to be applied towards a Notes Repurchase is instead required to be applied in prepayment and cancellation of the Revolving Credit Facility.

Covenants

The Revolving Credit Facility Agreement contains customary affirmative, negative and financial covenants. Set forth below is a brief description of such customary covenants, all of which are subject to customary exceptions and qualifications.

The Revolving Credit Facility Agreement contains certain of the incurrence covenants as apply to the Senior Secured Notes.

Affirmative Covenants

The affirmative covenants require, among other things: (i) the provision of certain financial information, including annual audited and quarterly unaudited financial statements; (ii) procurement, compliance and maintenance of all authorizations; (iii) compliance with laws and regulations, including environmental matters; (iv) payment of taxes; (v) preservation of assets; (vi) maintenance of *Pari Passu* ranking; (vii) maintenance of insurances; (viii) information in the form of annual audited and quarterly unaudited financial statements of unrestricted subsidiaries; (ix) preservation and maintenance of intellectual property; (x) further assurance provisions; (xi) requirement that the EBITDA and gross assets of the Guarantors is equal to or exceeds 85% of the EBITDA and gross assets of the Restricted Group (as defined therein) at agreed testing times, subject to certain exceptions (the “Coverage Test”); (xii) compliance with the receivables facility agreement; and (xiii) certain undertakings to provide additional security and guarantees after the initial drawdown date, including further assurances.

The Issuer must also ensure that at all times from 45 days after the closing date, the aggregate unconsolidated earnings before interest, tax, depreciation and amortization of the Guarantors, and their aggregate unconsolidated gross assets, represents not less than 85% of the Group consolidated earnings before interest, tax, depreciation and amortization, and aggregate consolidated gross assets, respectively, subject to certain exceptions where unlawful, where there would be an issue of personal liability for directors or, while the aggregate earnings of before interest, tax, depreciation and amortization of the Guarantors is €136 million or more, if the Agent (acting on the instructions of holders of 66 2/3% of the commitments under the Revolving Credit Facility, acting reasonably) determines the costs are disproportionate to the benefits to the lenders.

Negative Covenants

The Revolving Credit Facility contains negative undertakings substantially similar to those included in the Indenture together with a holding company covenant with respect to the Issuer, a restriction on

notarial deeds in the Czech Republic and a restriction on certain amendments of organizational documents of the Issuer and its restricted subsidiaries in certain circumstances.

Financial Covenant

Under the Revolving Credit Facility Agreement, we are obligated to comply with our drawn super senior gross leverage ratio covenant. Under the drawn super senior gross leverage ratio covenant, our ratio of Drawn Super Senior Gross Borrowings (as defined therein) to last 12-month Consolidated EBITDA (as defined therein) must not exceed 0.50 to 1 tested quarterly. These financial covenants are calculated and tested quarterly on a rolling 12-month basis by reference to our consolidated annual financial statements and our consolidated quarterly financial statements.

Events of Default

The Revolving Credit Facility Agreement provides for customary events of default, including: (i) failure to pay any sum when due subject to a two business day grace period for delays caused by technical or administrative error or a disruption event; (ii) breach of financial covenant (subject to the equity cure); (iii) breach of covenants and other obligations (other than in (i) or (ii) above) subject to a 15 business day grace period if capable of remedy; (iv) representations or warranties found to be untrue or misleading when made or deemed repeated subject to a 15 business day remedy period if capable of remedy; (v) cross-default subject to a €10.0 million threshold; (vi) insolvency; (vii) insolvency proceedings; (viii) creditor's process subject to a €3.0 million threshold; (ix) unlawfulness and invalidity; (x) failure to comply with the Intercreditor Agreement; (xi) cessation of business; (xii) change in ownership of any guarantor; (xiii) audit qualification; (xiv) expropriation; (xv) repudiation and rescission; (xvi) litigation; and (xvii) material adverse change.

Governing Law

The Revolving Credit Facility Agreement is governed by and construed and enforced in accordance with English law although the incurrence covenants, which are included in the Revolving Credit Facility Agreement and largely replicate those contained in the Senior Secured Notes Indenture, will be interpreted in accordance with New York law (without prejudice to the fact that the Revolving Credit Facility Agreement is governed by English law). In addition, certain limitations of obligations in relation to French guarantors and borrowers are governed by and enforced in accordance with French law.

Intercreditor Agreement

In connection with entering into the Revolving Credit Facility and the Indentures, the Issuer, the Guarantors and certain other subsidiaries of the Issuer, the Security Agent, its co-security agent for Belgian collateral and its co-security agent for Spanish collateral (together, the "Security Agents") enter into the Intercreditor Agreement to govern the relationships and relative priorities among: (i) the lenders under the Revolving Credit Facility (the "RCF Lenders"); (ii) any persons that accede to the Intercreditor Agreement as counterparties to certain hedging agreements (collectively, the "Hedging Agreements" and any persons that accede to the Intercreditor Agreement as counterparties to the Hedging Agreements are referred to in such capacity as the "Hedge Counterparties"); (iii) the Senior Secured Notes Trustee, on its behalf and on behalf of the holders of the Senior Secured Notes (the "Senior Secured Noteholders"); (iv) the Senior Notes Trustee on its behalf and on behalf of the holder of the Senior Notes; (v) intragroup creditors and debtors; and (vi) the direct or indirect shareholder of the Issuer in respect of certain structural debt that the Issuer has or may incur in the future (including any subordinated shareholder loans). In addition, the Intercreditor Agreement regulates the relationship

between the Issuer and its Restricted Subsidiaries, on the one hand, and shareholders of the Issuer and related parties, on the other hand.

The Issuer and each of its Restricted Subsidiaries that incurs any liability or provides any guarantee under the Revolving Credit Facility or the Indentures are each referred to in this description as a "Debtor" and are referred to collectively as the "Debtors." In this description, "Group" refers to the Issuer and its Restricted Subsidiaries.

The Intercreditor Agreement sets forth:

- the relative ranking of certain indebtedness of the Debtors;
- the relative ranking of certain security granted by the Debtors;
- when payments can be made in respect of certain indebtedness of the Debtors;
- when enforcement actions can be taken in respect of that indebtedness;
- the terms pursuant to which that indebtedness will be subordinated upon the occurrence of certain insolvency events;
- turnover provisions; and
- when security and guarantees will be released to permit a sale of any assets subject to transaction security (the "Collateral").

The Intercreditor Agreement contains provisions relating to future indebtedness that may be incurred by the Issuer and the Guarantors that is permitted by the Revolving Credit Facility and the Senior Secured Notes Indenture to rank *Pari Passu* with the Revolving Credit Facility and the Senior Secured Notes and be secured by the Collateral, subject to the terms of the Intercreditor Agreement, such debt being "*Pari Passu* Liabilities" and the creditors of such debt being "*Pari Passu* Creditors." The Intercreditor Agreement provides for any credit facility constituting a Credit Facility under the Senior Secured Notes Indenture, the creditors of which are entitled under the terms of the Secured Notes Indenture to rank senior to the Senior Secured Noteholders in respect of the proceeds of the enforcement of Collateral and certain other realizations from the Issuer and its Restricted Subsidiaries (each such facility and together with the Revolving Credit Facility, the "Credit Facilities" and each finance document relating thereto, a "Credit Facility Document"). Each lender of a Credit Facility is a "Credit Facility Lender" and the liabilities of the Debtors to the Credit Facility Lenders are the "Credit Facility Lender Liabilities." The Intercreditor Agreement allows for a refinancing in full or in part of the Senior Secured Notes and/or a refinancing in full but not in part of the Revolving Credit Facility.

Unless expressly stated otherwise in the Intercreditor Agreement, in the event of a conflict between the terms of the Revolving Credit Facility or the Indentures and the Intercreditor Agreement, the provisions of the Intercreditor Agreement will prevail.

By accepting a Note, holders of the Notes shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement.

The following description is a summary of certain provisions, among others, contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety, and we urge you to read that document because it, and not the description that follows, defines your rights as holders of the Notes.

Ranking and Priority

The Intercreditor Agreement provides, subject to the provisions in respect of permitted payments described below, that the Credit Facility Lender Liabilities and the liabilities of the Debtors with respect to the Revolving Credit Facility and the hedging agreements to the extent designated as having a super senior mark-to-market limit (and the aggregate amount of the super senior hedging mark-to-market limits may not (and therefore the exposure of the Debtors thereunder that rank super senior cannot) exceed €25 million at any time) (the "Super Senior Hedging Liabilities"; together with the Credit Facility Lender Liabilities, the "Super Senior Liabilities"), the liabilities of the Debtors in respect of the Senior Secured Notes (the "Senior Secured Notes Liabilities"), the liabilities of the Debtors with respect to the hedging agreements to the extent such hedging liabilities are not Super Senior Hedging Liabilities (the "Hedging Liabilities"), the liabilities of the Issuer in respect of the Senior Notes (the "Senior Notes Issuer Liabilities"), the liabilities of the Debtors under the Senior Note Guarantees (the "Senior Notes Guarantee Liabilities"), the liabilities of the Debtors to the Trustees (the "Trustee Liabilities"), and certain other unsecured liabilities will rank in right and priority of payment in the following order:

- *first*, the Super Senior Liabilities, the Senior Secured Notes Liabilities, the Hedging Liabilities, the Senior Notes Issuer Liabilities, the Trustee Liabilities and the Pari Passu Liabilities Pari Passu and without any preference between them;
- *second*, the Senior Notes Guarantee Liabilities;
- *third*, certain intercompany obligations of the Issuer and the Guarantors (the "Obligors") to the Issuer and its Restricted Subsidiaries (the "Intra-Group Liabilities"); and
- *fourth*, investor debt (which consists of certain liabilities owed by any Obligor to any shareholder, direct or indirect, of the Issuer) (the "Shareholder Liabilities" and together with the Intra-Group Liabilities, the "Subordinated Liabilities").

The parties to the Intercreditor Agreement agree in the Intercreditor Agreement that the security provided by the Debtors and the other parties for the Super Senior Liabilities, the Hedging Liabilities, the *Pari Passu* Liabilities and the Senior Secured Notes (together the "Secured Liabilities") rank and secure the Super Senior Liabilities, the Senior Secured Notes Liabilities, the Hedging Liabilities and the *Pari Passu* Liabilities *Pari Passu* and without any preference between them (but only to the extent the security is expressed to secure those Liabilities), except as provided below.

Under the Intercreditor Agreement, all proceeds from enforcement of the Collateral and certain other recoveries will be applied as provided below under "Application of Proceeds".

Permitted Payments of Subordinated Debt

The Intercreditor Agreement permits, *inter alia*, payments to be made by the Debtors under the Revolving Credit Facility, the Senior Secured Notes Indenture and the *Pari Passu* Liabilities and payments by the Issuer of Senior Notes Issuer Liabilities and does not in any way limit or restrict any payment by any Debtor of them in the ordinary course of business, subject in the case of the Senior Secured Notes Indenture to compliance with the "Notes Purchase Condition" described under "—Revolving Credit Facility— Notes Purchase Condition." The Intercreditor Agreement also permits payments from time to time when due to lenders owed any Intra-Group Liabilities ("Intra-Group Liabilities Payments") if at the time of payment no acceleration event has occurred in respect of a Credit Facility, the *Pari Passu* Liabilities, the Senior Secured Notes Liabilities or the liabilities of the Debtors under the Senior Notes (the "Senior Notes Liabilities") (an "Acceleration Event"). The Intercreditor Agreement permits Intra-Group Liabilities Payments if such an Acceleration Event occurs if (i) prior to the date on which all

Secured Liabilities are discharged (the "Secured Liabilities Discharge Date"), with the consent of an Instructing Group (please see "—Manner of Enforcement" below), or (ii) after the Secured Liabilities Discharge Date, with the consent of the Senior Notes Trustee, or (iii) that payment is made to facilitate payment of the Secured Liabilities, or (iv) that payment is made to facilitate payment of the Senior Notes Issuer Liabilities that are permitted under the Intercreditor Agreement and, if such payment is made to the Issuer, such payment would be permitted at such time if it was pursuant to a Senior Notes Guarantee.

All payments of Intra-Group Liabilities to the Issuer must be made directly to a pledged account of the Issuer (an "Issuer Pledged Account"). Withdrawals may be made from an Issuer Pledged Account to make a payment permitted under the Intercreditor Agreement or to allow the Issuer to make payments in connection with activities it is permitted to undertake in accordance with any Credit Facilities and which are not prohibited by the Senior Secured Notes Indenture or any *Pari Passu* Debt Document provided that (i) if the security interest over an Issuer Pledged Account has become enforceable in accordance with its terms or an Acceleration Event has occurred, withdrawals may not be made from that Issuer Pledged Account other than with the consent of (x) the Credit Facility Lenders, the aggregate of whose unpaid amounts and undrawn commitments under the Credit Facilities, and Hedge Counterparties, the aggregate of whose marked-to-market Super Senior Hedging Liabilities together exceed 66 2/3% of the aggregate of all unpaid and undrawn commitments under the Credit Facilities and all marked-to-market Super Senior Hedging Liabilities (the "Majority Super Senior Creditors"), and (y) the Senior Secured Noteholders, the *Pari Passu* Creditors and the holders of hedging liabilities (other than Super Senior Hedging Liabilities) whose unpaid amounts (or, in the case of those hedging liabilities, their mark-to-market amounts) at that time aggregate more than 66 2/3% of the aggregate of those participations at that time (the "Majority Senior Secured Creditors") or for application in accordance with the Application of Proceeds (as described below), and (ii) if a Secured Liabilities Payment Default is outstanding or a Senior Notes payment stop notice is in force (as such terms are described in "—Permitted Senior Notes Payments"), no withdrawal may be made from an Issuer Pledged Account other than (x) to make a payment permitted by the Revolving Credit Facility, the Senior Secured Notes Indenture, the Hedging Agreements or the *Pari Passu* Debt Documents as provided in "—Permitted Senior Notes Payments," (y) with the consent of the Majority Super Senior Creditors and the Majority Senior Secured Notes Creditors, or (z) for application in accordance with the Application of Proceeds.

Payments may be made on shareholder debt from time to time when due if: (i) the payment is not prohibited by the Revolving Credit Facility and the Senior Secured Notes Indenture and the instruments governing the *Pari Passu* Liabilities (the "*Pari Passu* Debt Documents"); (ii) prior to the date on which all Super Senior Liabilities are discharged (the "Super Senior Discharge Date"), the Instructing Group gives written consent to such payment being made; (iii) on or after the Super Senior Discharge Date, the holders of the principal amount of Senior Secured Notes required to vote in favor of the relevant direction, approval, consent or waiver under the terms of the Senior Secured Notes Indenture or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Senior Secured Notes (the "Senior Secured Notes Creditors") give written consent to such payment being made; or (iv) after the Secured Liabilities Discharge Date holders of the principal amount of Senior Notes required to vote in favor of the relevant direction, approval, consent or waiver under the terms of the Senior Notes Indenture or, if the required amount is not specified, the holders of at least the majority of the principal amount of the then outstanding Senior Notes (the "Senior Notes Required Noteholders") have consented.

Creditor Representative

Under the Intercreditor Agreement, the parties appoint various creditor representatives. "Creditor Representative" means:

(a) in relation to the RCF Lenders, the Revolving Credit Facility agent (the "RCF Agent");

(b) in relation to the Credit Facility Lenders under any other Credit Facility, the facility agent in respect of that credit facility (an "Additional Credit Facility Agent," and, together with the RCF Agent, a "Credit Facility Agent");

(c) in relation to the Senior Secured Noteholders, the Senior Secured Notes Trustee;

(d) in relation to the Senior Noteholders, the Senior Notes Trustee;

(e) in relation to the *Pari Passu* Creditors, the creditor representative for the *Pari Passu* Creditors (the "*Pari Passu* Debt Representative"); and

(f) in relation to any Hedge Counterparty, such Hedge Counterparty which shall be its own Creditor Representative.

Permitted Senior Notes Payments

The Debtors may:

(a) prior to the Secured Liabilities Discharge Date, only make payments under the Senior Note Guarantees of amounts then due:

(i) if:

(A) the payment is of:

(I) any principal amount of the Senior Notes Liabilities which is either (1) not prohibited from being paid by a Credit Facility Document, the Senior Secured Notes Indenture and any *Pari Passu* Liabilities finance document (together the "Secured Debt Documents") or (2) paid on or after the final maturity date of the Senior Notes Liabilities (provided that such maturity date is no earlier than the maturity date in the relevant Senior Notes finance documents (the "Senior Notes Documents") as of the date hereof; or

(II) any other amount which is not an amount of principal or capitalized interest;

(B) no Senior Notes Payment Stop Notice (as defined below) is outstanding; and

(C) no payment event of default under a Credit Facility and no payment event of default of €100,000 or more under the Senior Secured Notes Liabilities or the *Pari Passu* Liabilities (a "Secured Liabilities Payment Default") has occurred and is continuing;

(ii) if the Majority Super Senior Creditors and the Senior Secured Notes Trustee and the *Pari Passu* Debt Representative give prior consent to that payment being made;

(iii) if the payment is of Trustee amounts owed to the Senior Notes Trustee;

(iv) if the payment is by the Issuer of any Senior Notes Issuer Liabilities and the Senior Secured Notes purchase condition is complied with;

(v) costs, commissions, taxes, consent fees and expenses incurred in respect of (or reasonably incidental to) the Senior Notes Documents (including in relation to any reporting or listing requirements under the Senior Notes Documents); and

(vi) costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Senior Notes in compliance with the Intercreditor Agreement and any Secured Liabilities Documents;

(b) on or after the Secured Liabilities Discharge Date, make payments to the Senior Noteholders and the Senior Trustee (the "Senior Notes Creditors") in respect of the Senior Notes Liabilities in accordance with the Senior Notes Documents.

Issue of Senior Notes Payment Stop Notice

(a) Until the discharge date of the senior indebtedness, except with the prior consent of the Credit Facility Agent (to the extent prohibited under the Senior Secured Notes Indenture), the consent of the Senior Secured Notes Trustee and (to the extent prohibited under the *Pari Passu* Debt Documents) the *Pari Passu* Debt Representative(s), the Issuer shall procure that no member of the Group shall make, and no Senior Notes Creditor may receive from any member of the Group other than the Issuer, any payment in respect of the Senior Notes which would otherwise be permitted or referred to above (a "Permitted Senior Noteholder Payment") (other than Trustee Amounts and any payment by the Issuer of the Senior Issuer Notes Liabilities) if:

(i) a Secured Liabilities Payment Default has occurred and is continuing; or

(ii) an event of default under any Secured Liabilities document (a "Secured Liabilities Event of Default") (other than a Secured Liabilities Payment Default) has occurred and is continuing, from the date on which the Credit Facility Agent or the Senior Secured Notes Trustee or the *Pari Passu* Debt Representative (as the case may be) (the "Relevant Representative") delivers a notice (a "Senior Notes Payment Stop Notice") specifying the event or circumstance in relation to that Secured Liabilities Event of Default to the Issuer, the Security Agent and the Senior Notes Trustee until the earliest of:

(A) the date falling 179 days after delivery of that Senior Notes Payment Stop Notice;

(B) in relation to payments of Senior Notes Liabilities, if a Senior Notes Standstill Period (as defined herein) is in effect at any time after delivery of that Senior Notes Payment Stop Notice, the date on which that Senior Notes Standstill Period expires;

(C) the date on which the relevant Secured Liabilities Event of Default is no longer continuing and, if the relevant Secured Liabilities have been accelerated, such acceleration has been rescinded;

(D) the date on which the Relevant Representative delivers a notice to the Issuer, the Security Agent and the Senior Notes Trustee cancelling the Senior Notes Payment Stop Notice;

(E) the Secured Liabilities Discharge Date; and

(F) the date on which the Senior Notes Trustee takes any enforcement action that it is permitted to take under the Intercreditor Agreement.

(b) Unless the Senior Notes Trustee waives this requirement:

(i) a new Senior Notes Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Senior Notes Payment Stop Notice;

(ii) no Senior Notes Payment Stop Notice may be delivered in reliance on a Secured Liabilities Event of Default more than 60 days after the date the Credit Facility Agent, the Senior Secured Notes Trustee or the *Pari Passu* Debt Representative (as applicable) received notice of that Secured Liabilities Event of Default; and

(iii) the Credit Facility Agent, the Senior Secured Notes Trustee and the *Pari Passu* Debt Representative(s) may serve only one Senior Notes Payment Stop Notice with respect to the same event or set of circumstances.

Cure of Payment Stop: Senior Notes Creditors

If:

(a) at any time following the issuance of a Senior Notes Payment Stop Notice or the occurrence of a Secured Liabilities Payment Default, that Senior Notes Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Secured Liabilities Payment Default ceases to be continuing; and

(b) the relevant Debtor then promptly pays to the Senior Notes Creditors an amount equal to any payments which had accrued under the Senior Notes Documents and which would have been permitted Senior Notes payments but for that Senior Notes Payment Stop Notice or Secured Liabilities Payment Default,

then any event of default under the Senior Notes Indenture which may have occurred as a result of that suspension of payments shall be waived and any Senior Notes Enforcement Notice (as defined below) which may have been issued as a result of that event of default shall be waived, in each case without any further action being required on the part of the Senior Notes Creditors.

Restrictions on Enforcement/Certain Challenges by Noteholders

Until the Secured Liabilities Discharge Date, no Senior Notes Creditor shall take or require the taking of any enforcement action in relation to the Senior Notes Guarantees, except as permitted under the Intercreditor Agreement (see "—Permitted Senior Notes Guarantee Enforcement" below). In addition, no Senior Notes Creditor may take any steps to challenge any Distressed Disposal (described under "—Release of the Guarantees and the Security") which is made in compliance with the Intercreditor Agreement and the Revolving Credit Facility, the Hedging Agreements, the Senior Secured Notes Indenture and the *Pari Passu* Debt Documents.

Permitted Senior Notes Guarantee Enforcement

(a) The restrictions on an enforcement of the Senior Notes Guarantees will not apply if:

(i) an event of default or event or circumstance which would (with the expiration of a grace period, the giving of notice, the making of any determination provided for in the relevant definition of "Event of Default" in the Indenture relating to the Senior Notes or any combination of the foregoing be an event of default under the Senior Notes Indenture (the "Relevant Senior Notes Default") is continuing;

(ii) the Credit Facility Agent, the Senior Secured Notes Trustee and the *Pari Passu* Debt Representative(s) have received a notice of the Relevant Senior Notes Default specifying the event or circumstance in relation to the Relevant Senior Notes Default from the Senior Notes Trustee;

(iii) a Senior Notes Standstill Period (as defined below) has elapsed; and

(iv) the Relevant Senior Notes Default is continuing at the end of the relevant Senior Notes Standstill Period.

(b) Promptly upon becoming aware of a Senior Notes Default, the Senior Notes Trustee may by notice (a "Senior Notes Enforcement Notice") in writing notify the Credit Facility Agent, the Senior Secured Notes Trustee and the *Pari Passu* Debt Representative of the existence of such Senior Notes Default.

Senior Notes Standstill Period

In relation to a Relevant Senior Notes Default, a Senior Notes Standstill Period shall mean the period beginning on the date (the "Senior Notes Standstill Start Date") the Senior Notes Trustee serves a Senior Notes Enforcement Notice on the Credit Facility Agent, the Senior Secured Notes Trustee and the *Pari Passu* Debt Representative in respect of such Relevant Senior Notes Default and ending on the earliest to occur of:

(a) the date falling 179 days after the Senior Notes Standstill Start Date (the "Senior Notes Standstill Period");

(b) the date the creditors of the Secured Liabilities (the "Secured Creditors") take any enforcement action (action taken to preserve or perfect any Collateral as opposed to realize it will not be enforcement action for these purposes) in relation to a particular Senior Notes Guarantor provided that the Senior Notes Creditors may then only take the same enforcement action in relation to the Senior Notes Guarantor as the enforcement action taken by the Secured Creditors against such Senior Notes Guarantor and not against any other member of the Group;

(c) the date of an insolvency event in relation to a particular Senior Notes Guarantor against whom enforcement action is to be taken; and

(d) the expiration of any other Senior Notes Standstill Period outstanding at the date such first Senior Notes Standstill Period commenced (unless that expiration occurs as a result of a cure, waiver or other permitted remedy).

The Senior Notes Creditors may take enforcement action as described above in relation to a Relevant Senior Notes Default even if, at the end of any relevant Senior Notes Standstill Period or at any

later time, a further Senior Notes Standstill Period has begun as a result of any other Senior Notes Default.

If the Security Agent has notified the Senior Notes Trustee that it is enforcing Collateral created over shares of a Senior Notes Guarantor, no Senior Notes Creditor may take any action to enforce the Senior Notes Guarantees against that Senior Notes Guarantor while the Security Agent is taking steps to enforce that Collateral where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

Entitlement to Enforce Collateral

The Security Agents may refrain from enforcing the Collateral unless otherwise instructed by the relevant instructing group (please see "—Manner of Enforcement"). The Security Agents may disregard any instructions from any other person to enforce the Collateral and may disregard any instructions to enforce any Collateral if those instructions are inconsistent with the Intercreditor Agreement. The Security Agents are not obligated to enforce the Collateral if they are not appropriately indemnified by the relevant creditors.

Limitation on Enforcement by Super Senior Creditors and Senior Secured Noteholders

If either the Majority Super Senior Creditors or the Majority Senior Secured Creditors wish to instruct any Security Agent(s) (as applicable) to commence enforcement of any Collateral, such group of creditors must deliver a copy of the proposed instructions as to enforcement (the "Enforcement Proposal") to such Security Agent and the Creditor Representatives for each of the creditors of the Super Senior Liabilities (the "Super Senior Creditors") and/or the Senior Secured Creditors (as appropriate) at least 10 business days prior to the proposed date of issuance of instructions under such enforcement proposal (the "Proposed Enforcement Instruction Date"). Additional limitations on the claims of the Secured Parties in relation to proceeds in relation to German real property also apply.

Until the Super Senior Discharge Date, if any of the Security Agents (as applicable) has received conflicting enforcement instructions (which for purposes of this paragraph only, includes a failure to give any instruction by the Majority Super Senior Creditors or the Senior Secured Creditors), then the applicable Security Agents will promptly notify the relevant Creditor Representatives and such Creditor Representatives will consult with each other and the relevant Security Agents for a period of not less than 30 days (or such shorter period as the relevant Creditor Representatives may agree) (the "Initial Consultation Period") from the earlier of (i) the date of the latest such conflicting enforcement instruction and (ii) the date falling 10 business days after the date the original Enforcement Proposal is delivered, with a view to coordinating instructions as to enforcement of the Collateral.

The Creditor Representatives will not be obligated to consult as described above if:

(i) the security interest in the Collateral has become enforceable as a result of an insolvency event;

(ii) the Majority Super Senior Creditors or the Majority Senior Secured Creditors determine in good faith that to do so and thereby delay commencement of enforcement could reasonably be expected to have a material adverse effect on (A) the Security Agents' (or any of their) ability to enforce any of the Collateral or (B) the realization proceeds of any enforcement of the Collateral in any material respect;

(iii) a period of not less than six months has elapsed since the Proposed Enforcement Instruction Date and no enforcement is being effected by the Security Agents; or

(iv) the Creditor Representatives for the Super Senior Creditors, the *Pari Passu* Creditors and the Senior Secured Notes Trustee agree that no consultation period is required or agreed to a shorter consultation period.

If the Majority Super Senior Creditors or the Majority Senior Secured Creditors (acting reasonably) consider that any of the Security Agents are enforcing the Collateral in a manner which is not consistent with certain Security Enforcement Principles (as referred to below), the relevant Creditor Representatives shall give notice to the Creditor Representatives for the other Super Senior Creditors, and the Senior Secured Notes (as appropriate) after which the Creditor Representatives for the other Super Senior Creditors and the Senior Secured Notes shall consult again with the relevant Security Agents for a period of 15 days (or such lesser period as the relevant Creditor Representatives may agree) with a view to agreeing the manner of enforcement, provided that such Creditors Representative shall not be obliged to consult again more than once in relation to each enforcement action and shall not be obligated to consult in any of the circumstances described in paragraphs (i), (ii), (iii) or (iv) of the previous paragraph.

A Creditor Representative may only give enforcement instructions that are consistent with certain security enforcement principles (the "Security Enforcement Principles"), including that:

(i) it shall be the primary and overriding aim of any enforcement of the transaction security to achieve the security enforcement objective (being to maximize so far as is consistent with prompt and expeditious realization of value from enforcement of the Collateral, the recovery by the Super Senior Creditors and the Senior Secured Notes Creditors);

(ii) the Collateral will be enforced and other enforcement action will be taken such that either:

(a) all proceeds or enforcement are received by the Security Agents or in cash for distribution in accordance with the Intercreditor Agreement (please see "—Application of Proceeds"); or

(b) sufficient proceeds from enforcement will be received by the Security Agents in cash to ensure that when the proceeds are applied in accordance with the Intercreditor Agreement (please see "—Application of Proceeds"), the Super Senior Liabilities are repaid and discharged in full (unless the Majority Super Senior Creditors agree otherwise);

(iii) the enforcement actions are prompt and expeditious it being acknowledged that, subject to the other provisions of the Intercreditor Agreement, the time frame for the realization of value from the enforcement of the Collateral or distressed disposal pursuant to enforcement will be determined by the Instructing Group (please see "—Manner of Enforcement" below), provided that it is consistent with the Security Enforcement Objective;

(iv) to the extent that the Collateral that is the subject of the proposed enforcement action is:

(a) over assets other than shares in a member of the Group where the aggregate book value of such assets exceeds €50.0 million (or its equivalent) ("Material Collateral"); or

(b) over some or all of the shares in a member of the Group;

then the relevant Security Agent shall if requested by the Majority Super Senior Creditors or the Senior Secured Notes Creditors, and at the expense of such creditors (unless it is incompatible with, or unnecessary in respect of enforcement proceedings in a relevant jurisdiction), appoint a "big four" accounting firm, any reputable and independent

international investment bank or other reputable and independent professional services firm with experience in restructuring and enforcement (a "Financial Advisor") to opine as expert on:

(1) the optimal method of enforcing the Collateral so as to achieve the Security Enforcement Principles and maximize the recovery of any such enforcement action;

(2) that the proceeds received from any such enforcement is fair from a financial point of view after taking into account all relevant circumstances; and

(3) that such sale is otherwise in accordance with the Security Enforcement Objective

(the "Financial Advisor's Opinion");

(v) no Security Agent shall be under any obligation to appoint a Financial Advisor or to seek the advice of a Financial Advisor, unless expressly required to do so by the Intercreditor Agreement;

(vi) the Financial Advisor's Opinion (or any equivalent opinion obtained by the relevant Security Agents in relation to any other enforcement of the Collateral that such action is fair from a financial point of view after taking into account all relevant circumstances) will be conclusive evidence that the Security Enforcement Objective has been met;

(vii) in the event that an enforcement of the Collateral is over Material Collateral and such enforcement is conducted by way of public auction, any equity investors of the Group shall be entitled to participate in such auction, but this shall not require enforcement of Collateral to take place by way of public auction;

(viii) in the absence of written notice from a creditor or group of creditors entitled to issue enforcement instructions that are not part of the relevant Instructing Group (please see "—Manner of Enforcement" below) that such creditor(s) object to any enforcement of the Collateral on the grounds that such enforcement action does not aim to achieve the Security Enforcement Objective (an "Objection"), the Security Agent are entitled to assume that such enforcement of the Collateral is in accordance with the Security Enforcement Objective;

(ix) if the relevant Security Agent receives an Objection, a Financial Advisor's Opinion to the effect that the particular action could reasonably be said to be aimed at achieving the Security Enforcement Objective will be conclusive that the requirement referred to in paragraph (i) above has been met; and

(x) the Security Enforcement Principles may be amended, varied or waived with the prior written consent of the Majority Super Senior Creditors and the Majority Senior Secured Creditors.

Manner of Enforcement

The Instructing Group entitled to give instructions to the Security Agents in respect of enforcement of Collateral comprises the Majority Super Senior Creditors and the Majority Senior Secured Creditors (in each case acting through its respective Creditor Representative), unless an insolvency event occurs, in which case the instructions of the Majority Super Senior Creditors shall prevail. However, if before the Super Senior Discharge Date, and no insolvency event has occurred, any Security Agent has received conflicting enforcement instructions from the Creditor Representatives, then, provided that the

instructions from the Majority Senior Secured Creditors (to the extent given) comply with the initial consultation requirements described above and the Security Enforcement Principles, the relevant Security Agent will comply with the instructions from the Majority Senior Secured Creditor, provided that if the Super Senior Liabilities have not been fully discharged, or no enforcement has occurred, within six months of the date on which the first such enforcement instructions were first issued, then the instructions of the Majority Super Senior Creditors will prevail.

Turnover

The Intercreditor Agreement also provides that if any creditor of Secured Liabilities or any Senior Notes Liabilities receives or recovers the proceeds of any enforcement of any Collateral and, in addition, if any creditors of Senior Notes Liabilities or any creditors of Subordinated Liabilities receive or recover any payment or distribution not permitted under the Intercreditor Agreement or applied other than in accordance with "—Application of Proceeds" below, it shall (subject to certain prior actual knowledge qualifications in the case of the Notes Trustees):

- in relation to receipts or recoveries not received or recovered by way of set-off, (i) hold that amount in trust for the relevant Security Agent and promptly pay that amount or an amount equal to that amount to the relevant Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities owed to such creditor to the relevant Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Application of Proceeds

The Intercreditor Agreement provides that amounts received from the realization or enforcement of all or any part of the Collateral will be applied in the following order of priority (subject to certain country-specific limitations):

- *first*, in payment of the following amounts in the following order: (i) Pari Passu and pro rata any sums owing to any Security Agent and any Notes Trustee, as the case may be; and then (ii) Pari Passu and pro rata to each Creditor Representative (to the extent not included in (i) above and excluding any Hedge Counterparty as its own Creditor Representative) of the unpaid fees, costs, expenses and liabilities (and all interest thereon, as provided in the relevant finance documents) of each Creditor Representative and any receiver, attorney or agent appointed by such Creditor Representative under any Collateral document or the Intercreditor Agreement (to the extent that such Collateral has been given in favor of such obligations);
- *second*, Pari Passu and pro rata in or towards payment of all costs and expenses incurred by the holders of Super Senior Liabilities in connection with any realization or enforcement of the Collateral taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of any Security Agent;
- *third*, in or towards payment to, on a pro rata basis, (i) each Credit Facility Agent on its own behalf and on behalf of the Credit Facility Lenders for application towards the

discharge of the Credit Facility Lender Liabilities; and (ii) the relevant Hedge Counterparties for application towards the discharge of the Super Senior Hedging Liabilities;

- *fourth*, Pari Passu and pro rata to the Senior Secured Notes Trustee on behalf of the Senior Secured Note holders, to the Hedge Counterparties and the representative of the Pari Passu Creditors on behalf of the Pari Passu Creditors for application towards any unpaid costs and expenses incurred by or on behalf of any Senior Secured Noteholders or Pari Passu Creditors in connection with any realization or enforcement of the Collateral taken in accordance with the terms of the Collateral documents and the Intercreditor Agreement or any action taken at the request of any Security Agent;
- *fifth*, Pari Passu and pro rata to the Hedge Counterparties for application towards the discharge of the Hedging Liabilities (other than the Super Senior Hedging Liabilities) to the Senior Secured Notes Trustee on behalf of the Senior Secured Noteholders for application towards the discharge of the Senior Secured Liabilities, and to the Pari Passu Creditor Representative on behalf of the Pari Passu Liabilities Creditors for application towards the discharge of the Pari Passu Liabilities; and
- *sixth*, after the discharge of all Secured Liabilities, in payment of the surplus (if any) to the relevant Debtor or other person entitled to it.

Additional Indebtedness

In the event that any Debtor incurs any additional indebtedness that is permitted to be designated as Super Senior Liabilities under the terms of the Notes and the Revolving Credit Facility and is entitled to be secured by the Collateral, the liabilities in respect of such additional Super Senior Liabilities will share in the proceeds of any enforcement of Collateral on a pro rata basis with the existing Super Senior Liabilities.

In the event that any Debtor incurs any additional indebtedness that is *Pari Passu* in right of payment with the Senior Secured Notes and that is entitled to be secured by the Collateral, the liabilities in respect of such *Pari Passu* indebtedness will share in the proceeds of any enforcement of the Collateral on a pro rata basis with the Senior Secured Notes Liabilities.

Release of the Guarantees and the Security

Non-distressed Disposal

In circumstances where a disposal is not being effected (i) by enforcement of Collateral, (ii) after the Collateral has become enforceable or (iii) in the case of a disposal to a person outside the Group, after an Acceleration Event in respect of Secured Liabilities has occurred (a "Distressed Disposal") and is otherwise permitted by the Secured Debt Documents, the Intercreditor Agreement will provide that the Security Agents are each authorized: (i) to release the Collateral; and (ii) if the relevant asset consists of shares in the capital of a Debtor, to release the Collateral or any other claim in respect of the Secured Liabilities over the assets of that Debtor and the shares in and assets of any of its subsidiaries.

Distressed Disposal

Where a Distressed Disposal of an asset is being effected, the Intercreditor Agreement will provide that each of the Security Agent and the Co-Security Agent (as the case may be) is authorized: (i) to

release the Collateral, or any other claim over that asset; (ii) if the asset which is disposed of consists of shares in the capital of a Debtor, to release (a) that Debtor and any subsidiary of that Debtor from all or any part of its liabilities as borrower under the liabilities governed by the Intercreditor Agreement ("Liabilities") other than those owed by the Company to a holder (a "Primary Creditor") of the Super Senior Liabilities, the Senior Secured Notes Liabilities, the Hedging Liabilities, the Senior Notes Liabilities, the Trustee Liabilities and the *Pari Passu* Liabilities, its liabilities as a guarantor of the Secured Debt or the Senior Notes or otherwise in connection with the Transaction ("Guarantee Liabilities"), or other liabilities it may have to an Intra-Group Lender or Debtor ("Other Liabilities"); (b) any Collateral granted by that Debtor or any subsidiary of that Debtor over any of its assets; and (c) any other claim of a lender of Intra-Group Liabilities (an "Intra-Group Lender"), or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor; (iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release (a) that holding company and any subsidiary of that holding company from all or any part of its liabilities as borrower under the Liabilities other than those owed by the Company to a Primary Creditor, its Guarantee Liabilities and Other Liabilities; (b) any Collateral granted by any subsidiary of that holding company over any of its assets; and (c) any other claim of an Intra-Group Lender or another Debtor over the assets of any subsidiary of that holding company; and (iv) if the asset which is disposed of consists of shares in the capital of a Debtor or a holding company of a Debtor provides for the disposal of liabilities and/or the transfer of liabilities to another Debtor.

In certain circumstances described in the Intercreditor Agreement, the Security Agents may, instead of releasing a borrowing claim against a Debtor (other than the Issuer), transfer that claim to the direct or indirect acquirer of that Debtor.

If a Distressed Disposal is being effected such that the Senior Notes Guarantees and Collateral over shares in the Issuer or assets of a Senior Notes Guarantor will be released, it is a condition to the release that either:

(i) the Senior Notes Trustee has approved the release on the instructions of the Senior Notes Required Holders; or

(ii) where shares or assets of a Senior Notes Guarantor or assets of the Issuer are sold:

 (A) the proceeds of such sale or disposal are in cash (or substantially in cash) or, if the proceeds of such sale are not in cash (or substantially in cash), the requirements of paragraph (C)(II) below are satisfied;

 (B) all Secured Debt Liabilities of a member of the Group, all of whose shares pledged under the Collateral are sold or disposed of pursuant to such enforcement action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all Collateral in respect of the assets that are sold or disposed of is simultaneously and unconditionally released concurrently with such sale, provided that in the event of a sale or disposal of any such claim (instead of a release or discharge):

  (I) the Credit Facility Agent, the Senior Secured Notes Trustee and the *Pari Passu* Debt Representative determine (acting reasonably and in good faith) that the Credit Facility finance parties (other than the Hedge Counterparties), the Senior Secured Noteholders, the Senior Secured Notes Trustee and the *Pari Passu* Creditors will recover more than if such claim were to be released or discharged; and

(II) the Credit Facility Agent, Senior Secured Notes Trustee and the *Pari Passu* Debt Representative serve a notice on the Security Agent or the Co-Security Agent (as applicable) notifying such Security Agent or Co-Security Agent of the same, in which case such Security Agent or Co-Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser); and

(C) such sale or disposal (including any sale or disposal of any claim) is made:

(I) pursuant to a public auction; or

(II) where an independent investment bank or an internationally recognized firm of accountants selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances, including the method of enforcement and the circumstances giving rise to such sale, provided that the liability of such investment bank or internationally recognized firm of accountants in giving such opinion may be limited to the amount of its fees in respect of such engagement.

Amendment

In addition to customary minor, technical or administrative matter amendments by the Security Agent, the Intercreditor Agreement will provide that it may be amended with only the consent of the Majority Super Senior Creditors, the Senior Secured Notes Required Holders, the Pari Passu Debt Required Holders, the Senior Notes Required Holders, the Issuer and the Security Agents, unless it is an amendment, waiver or consent that has the effect of changing or which relates to: (a) any amendment to the order of priority or subordination set out in the Intercreditor Agreement; (b) any amendment to the payment waterfall, turnover provisions or enforcement provisions set out in the Intercreditor Agreement; (c) certain provisions relating to the giving of instructions to the Security Agents or the exercise of discretion by the Security Agents; or (d) the amendments provisions in the Intercreditor Agreement, which shall not be made without:

(i) the Credit Facility Lenders to the extent required by the terms of the Credit Facility;

(ii) the Senior Secured Notes Trustee;

(iii) the Senior Notes Trustee, insofar as any amendments might adversely affect its rights, ranking, immunities or protections;

(iv) the *Pari Passu* Debt Representative;

(v) each Hedge Counterparty (to the extent that the amendment or waiver would materially and adversely affect the Hedge Counterparty); and

(vi) the Issuer.

If, however, an amendment, waiver or consent affects only one class of secured party and could not reasonably be expected to materially and adversely affect the interests of the other classes, only agreement from the requisite affected class is required.

Subject to the paragraphs above and certain other exceptions, no amendment or waiver of the Intercreditor Agreement may impose new or additional obligations on or withdraw or reduce the rights of any party to the Intercreditor Agreement without the prior written consent of the party.

In addition, the Intercreditor Agreement provides that if and to the extent (i) the Debtors (or any of them) wish to incur incremental borrowings or guarantees thereof or to refinance any thereof, which in any such case is intended to rank *Pari Passu* with any Liabilities and/or share *Pari Passu* with any existing security interest and/or to rank behind any existing Liabilities and/or to share in any existing security behind such existing Liabilities, and (ii) it is permitted by the terms of the Revolving Credit Facility, the Hedging Agreements, the Senior Secured Notes Indenture and the Pari Passu Debt Documents at that time, then the creditors party to the Intercreditor Agreement will (at the cost of the Debtors) co-operate with the Debtors with a view to enabling such financing or refinancing and such sharing of the security to take place. In each case, the Super Senior Creditors, the Hedging Counterparties, the Senior Secured Creditors and the Senior Note Creditors authorize and direct its Representatives to execute any amendment to the Intercreditor Agreement and the other Debt Documents required to reflect such arrangements to the extent so permitted.

Option to Purchase: Revolving Credit Facility Liabilities and Hedging Liabilities

After an Acceleration Event or the enforcement of any of the Collateral, by giving not less than 10 days' notice to the Credit Facility Agent, the Senior Secured Notes Trustee and the *Pari Passu* Creditor Representative, at the direction and expense of the Senior Secured Noteholders and *Pari Passu* Creditors (as applicable), will have the right to acquire or procure that a nominee acquires all (but not part only) of the Super Senior Liabilities.

Any such purchase will be on terms which will include, without limitation, payment in full in cash of an amount equal to the Super Senior Liabilities then outstanding, including in respect of any broken funding costs, as well as certain costs and expenses of the Super Senior Creditors; after the transfer, no Super Senior Creditor will be under any actual or contingent liability to any Debtor; the purchasing holders of Senior Secured Notes and *Pari Passu* Creditors indemnify each Super Senior Creditor for any actual or alleged obligation to repay or claw back any amount received by such Super Senior Creditor; and the relevant transfer shall be without recourse to, or warranty from, any Super Senior Creditor.

Option to Purchase: Senior Notes Creditors

The Senior Notes Creditors may, after an Acceleration Event in respect of the Secured Liabilities or any enforcement of Collateral, by giving not less than 10 days' notice to the Credit Facility Agent, the Senior Secured Notes Trustee and the *Pari Passu* Debt Representative (together, the "Relevant Representatives"), require the transfer to them (or to a nominee or nominees), of all, but not part, of the Secured Liabilities.

Any such purchase will be on terms which will include, without limitation, payment in full in cash of an amount equal to the Secured Liabilities then outstanding, including in respect of any broken funding costs, as well as certain costs and expenses of the Secured Creditors; after the transfer, no Secured Creditor will be under any actual or contingent liability to any Debtor; the purchasing holders of Senior Notes indemnify each Secured Creditor for any actual or alleged obligation to repay or claw back any amount received by such Secured Creditor; and the relevant transfer shall be without recourse to, or warranty from, any Secured Creditor.

Governing Law

The Intercreditor Agreement is governed by and construed in accordance with English law. In addition, certain limitations of obligations of certain Group members provided for in the Intercreditor Agreement are expressed to be governed by the applicable local law.

Fortis Factoring Agreement

General

To optimize our cash management, we entered into a factoring agreement (the "Fortis Factoring Agreement") on July 28, 2008 with BNP Paribas Fortis Factor NV (the "Factor").

Under the terms of the Fortis Factoring Agreement, the Factor agrees to make advance payments to Ontex International in respect of accounts receivable transferred to the Factor. The Fortis Factoring Agreement provided for a credit facility of up to €100 million and up to 90% of the amount of the approved outstanding receivables on all debtors transferred to the Factor. During the first quarter of 2013 the credit facility has been upsized to € 125 million. As of December 31, 2013 an amount of €106 million has been advanced under the Fortis Factoring Agreement.

The other key limits are:

- approved credit limits;
- Customer concentration; and
- geographical concentration or exclusion.

Financing per debtor is capped at 10% of the aggregate amount of all approved outstanding receivables transferred to the Factor. However, for the period ending on December 31, 2012, the financing for the debtor, Markant is limited to a maximum of 25% of the amount of the approved outstanding receivables on all debtors assigned to the Factor and to 20% for the Polish customer Jeronimo martins Dystrybucja Polska SA.

All amounts advanced within the Fortis Factoring Agreement limits are insured and without recourse to Ontex International. However, the Factor may provide financing limits over and above any credit limit (but within the €100 million overall cap). Such funds are not covered by the insolvency risk coverage and are therefore not provided on a non-recourse basis. Each of the Company and Ontex Coordination Center BVBA has guaranteed Ontex International's obligations under the Fortis Factoring Agreement up to €8.5 million each in the event of normal operational issues, including fraud, issuance of credit notes or counterclaims by customers.

Maturity and Amortization

The Fortis Factoring Agreement matures on November 18, 2016 and, unless terminated, may be renewed by tacit agreement between the parties for a new period of one year. At the end of the initial term and each subject term for which the Fortis Factoring Agreement has been renewed, both parties may terminate the agreement upon 90 days' notice.

Interest Rate and Fees

The interest rate on cash advances under the Fortis Factoring Agreement is one-month EURIBOR. The margin is 0.8%. Certain other commissions, fees, costs and expenses are also payable.

Certain Covenants

The Fortis Factoring Agreement contains certain covenants, including relating to the administration of the accounts receivable, the terms of the invoices and exchange of information.

Ontex Hygienic Disposables

Seizure

When there is a conservatory seizure (*bewarend beslag/saisie conservatoire*) on Ontex International's assets having an aggregate value in excess of €250,000, the amount available under the credit facility is decreased by an amount equal to the fair market value of the assets subject to seizure after a grace period of 30 days, provided that if Ontex International has taken appropriate action within the 30-day period with a view to the seizure being withdrawn, the facility will not be decreased if the seizure is actually withdrawn within 90 days. If there is a seizure on the debtor's assets, that debtor is withdrawn from the finance while the seizure is continuing.

Termination

The Fortis Factoring Agreement provides for termination events, including the following: (i) if at any time the Factor makes payments under its guarantee of the insolvency of debtors in respect of in aggregate 25% or more of the accounts receivable financed under the Fortis Factoring Agreement, the Factor has the right to terminate the Fortis Factoring Agreement on not less than 90 days' notice; (ii) insolvency; (iii) material breach subject to a 14-day grace period if capable of remedy; (iv) Change of Control (as defined in the Fortis Factoring Agreement); (v) when the Facility Agent under the Senior Facilities Agreement dated July 15, 2010 between, among others, Ontex III S.A., Goldman Sachs International and Merrill Lynch International as Arrangers, Banc of America Securities Limited as the Agent and Merrill Lynch International as the Security Agent give notice of acceleration.

Governing Law

The Fortis Factoring Agreement is governed by Belgian law.

Italian Factoring Agreements

To partially finance the working capital needs of Serenity, we entered into two additional factoring agreements (the "Italian Factoring Agreements"), including an agreement with Ifitalia and an agreement with Mediofactoring. The agreement with Ifitalia provides for a credit facility in the maximum amount of €30 million. The agreement with Mediofactoring provides for a credit facility that is allocated on a per debtor basis. Both of the Italian Factoring Agreements provide for the financing of receivables of approved debtors and up to the allocated credit limit on a non-recourse basis. The Italian Factoring Agreements provide us with a credit facility of up to €46.5 million. The total amount drawn on the factoring facility as of December 31, 2013 was € 15.2 million.

Material Recent Developments

There have been no material recent developments to date.

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Independent auditor's report

To the Shareholders of Ontex IV S.A.

We have audited the accompanying consolidated financial statements of Ontex IV S.A., which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé" including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Ontex IV S.A. as of 31 December 2013, and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers Société Coopérative, Luxembourg, 5 March 2014

Represented by

Philippe Duren

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The notes 1 to 28 are an integral part of these consolidated financial statements

1. GENERAL INFORMATION

1.1. Business activities

The Ontex IV Group (the “Group”) is a leading manufacturer of retailer branded and branded hygienic disposables products. The total revenue of the Group was € 1,491.9 million in the financial year 2013. The Group has 15 production facilities located in Europe, Turkey, Algeria, China, Pakistan, Russia and Australia. The Group offers a wide range of products in the baby sector (diapers and wipes), feminine care (sanitary pads, panty liners and tampons) and is also a key supplier to the adult incontinence sector through its healthcare division.

Ontex IV S.A. (the “Parent”) was incorporated on 25 May 2010 for the purpose of acquiring ONV Topco NV and its subsidiaries, which occurred on 18 November 2010. Ontex IV S.A. is a public limited company incorporated and domiciled in Luxembourg. The corporate seat and principal executive office is at 2 rue du Fossé, L-1536 Luxembourg. The company is registered in Luxembourg under the number B0153359. The consolidated financial statements of the Ontex IV Group as at 31 December 2013 comprise Ontex IV S.A. and its subsidiaries as outlined in Note 6.

All shares of Ontex IV S.A. are owned by Ontex III S.A., a public limited company incorporated and domiciled in Luxembourg. The address of its registered office is 2 rue du Fossé, L-1536 Luxembourg.

In July 2010, entities established by funds managed by Goldman Sachs Capital Partners and TPG agreed to acquire Ontex. The acquisition closed during November 2010. As of 31 December 2013, these funds beneficially own and control (through wholly-owned intermediary holding companies), along with certain members of the senior management, the entire share capital. The current ownership structure is set out below:

Goldman Sachs Capital Partners and TPG Capital own each 50% of the shares of Ontex I S.à r.l.

Ontex I S.à r.l. owns 93.4710% of the shares of Ontex II S.à r.l.

The remaining 6.5290% of the shares are held by certain members of the Senior Management.

Ontex II S.à r.l. owns all of the shares of Ontex II-A S.à r.l.

Ontex II-A S.à r.l. owns all of the shares of Ontex III S.A.

Ontex III S.A. owns all of the shares of Ontex IV S.A.

1.2. Financial statements

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. These Group consolidated financial statements were authorised for issue by the Board of Directors on 4 March 2014. The amounts in this document are presented in millions of euros (€ million), unless noted otherwise.

1.3. Board of Directors

The Board of Directors of Ontex IV S.A. is composed of the following members:

NINO Maxime
DIRECTOR
Start of mandate: 25/05/2010
End of mandate: 09/08/2013

MARIELLE STIJGER
DIRECTOR
Start of mandate: 09/08/2013
End of mandate: 28/06/2016

FERNANDES DAS NEVES Pedro
DIRECTOR
Start of mandate: 28/06/2010
End of mandate: 28/06/2016

JACQUES PURNODE
DIRECTOR
Start of mandate: 17/01/2014
End of mandate: 28/06/2016

MARC GALLET
DIRECTOR
Start of mandate: 04/03/2014
End of mandate: 28/06/2016

VANDENBOGAERDE Steven
DIRECTOR
Start of mandate: 29/07/2011
End of mandate: 17/01/2014

LE GAL Dominique
DIRECTOR
Start of mandate: 25/05/2012
End of mandate: 28/06/2016

DAVIDSON Martin
DIRECTOR
Start of mandate: 06/01/2012
End of mandate: 17/01/2014

ALEXANDRA MATIAS
DIRECTOR
Start of mandate: 17/01/2014
End of mandate: 28/06/2016

The general shareholders' meeting held on 9 August 2013 has accepted the resignation of Maxime Nino with immediate effect, and appointed Marielle Stijger with effective date as of 9 August 2013.

The general shareholders' meeting held on 17 January 2014 has accepted the resignation of Steven Vandenbogaerde as well as Martin Davidson with immediate effect, and appointed Jacques Purnode and Alexandra Matias as of 17 January 2014.

The general shareholders' meeting held on 4 March 2014 has appointed Marc Gallet as of 4 March 2014.

1.4. Statutory auditors

The statutory audit is performed by PricewaterhouseCoopers Société Coopérative (B 113620), 400, route d'Esch, L-1014 Luxembourg. The mandate ends on the General Meeting of 2016.

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

ASSETS	Note	2013	2012	2011
Non-current assets				
Goodwill and other intangible assets	8	864.8	845.8	846.3
Property, plant & equipment	9	282.0	267.4	246.0
Deferred tax assets	16	0.3	0.1	0.5
Receivables	10	0.1	0.1	-
		1,147.2	**1,113.4**	**1,092.8**
Current assets				
Inventories	11	182.2	171.6	139.3
Trade receivables	10	199.0	163.5	153.2
Prepaid expenses and other receivables	10	40.0	36.7	39.5
Current income tax		3.7	1.9	2.0
Derivative financial assets	4.1	1.1	5.8	17.4
Cash and cash equivalents	12	61.3	38.9	65.5
		487.3	**418.4**	**416.9**
TOTAL ASSETS		**1,634.5**	**1,531.8**	**1,509.7**

EQUITY AND LIABILITIES	Note	2013	2012	2011
Equity attributable to owners of the company				
Share capital	13	449.4	449.4	449.4
Cumulative translation differences		(21.3)	(7.6)	(9.0)
Retained earnings and other reserves		(66.0)	(91.4)	(81.3)
TOTAL EQUITY		**362.1**	**350.4**	**359.1**
Non-current liabilities				
Employee benefit liabilities	15	15.8	14.3	12.1
Provisions	18	0.1	-	-
Borrowings	14	896.7	818.7	814.9
Other non-current financial liabilities	7	10.0		
Deferred tax liabilities	16	14.8	13.3	14.6
Other payables	17	-	-	-
		937.4	**846.3**	**841.6**
Current liabilities				
Borrowings	14	13.9	14.0	20.4
Derivative financial liabilities	4.1	1.9	-	-
Other current financial liabilities	7	8.0	-	-
Trade payables	17	243.2	222.8	220.1
Accrued expenses and other payables	17	15.7	17.4	17.1
Social liabilities	17	25.9	23.4	22.7
Current income tax liabilities		19.0	15.2	10.9
Provisions	18	7.4	42.3	17.8
		335.0	**335.1**	**309.0**
TOTAL LIABILITIES		**1,272.4**	**1,181.4**	**1,150.6**
TOTAL EQUITY AND LIABILITIES		**1,634.5**	**1,531.8**	**1,509.7**

3. CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER

	Note	2013	2012	2011
Revenue	5	1,491.9	1,309.0	1,217.6
Cost of sales	22	(1,094.8)	(988.3)	(941.4)
Gross margin		**397.1**	**320.7**	**276.2**
Distribution expenses	22	(136.3)	(108.6)	(92.4)
Sales and marketing expenses	22	(78.0)	(64.2)	(50.5)
General administrative expenses	22	(39.7)	(29.7)	(28.0)
Other operating income/(expense), net	20	0.4	1.1	(1.9)
Non-recurring expenses (*)	21	(19.6)	(50.4)	(40.2)
Operating profit		**123.9**	**68.9**	**63.2**
Finance income	23	17.9	18.1	25.6
Finance cost	23	(101.9)	(88.1)	(126.7)
Net finance cost		**(84.0)**	**(70.0)**	**(101.1)**
(Loss) / Profit before income tax		**39.9**	**(1.1)**	**(37.9)**
Income tax expense	24	(14.0)	(6.8)	(13.6)
(Loss) / Profit of the period from continuing operations		**25.9**	**(7.9)**	**(51.5)**
(Loss) / Profit of the year		**25.9**	**(7.9)**	**(51.5)**

Additional information	**2013**	**2012**	**2011**
Operating Profit	123.9	68.9	63.2
Depreciation and amortization (***)	33.8	31.1	35.6
EBITDA (**)	**157.7**	**100.0**	**98.8**

(*) Non-recurring expenses is a non-GAAP measure defined in note 21.

(**) EBITDA, earning before net finance cost, income taxes, depreciation and amortization is a non-GAAP measure defined in the summary of significant accounting policies (note 1)

(***) Depreciation and amortization (D&A) include € 31.5 million of recurring D&A and € 2.3 million of non-recurring D&A in 2013 (€ 30.8 million of recurring D&A and € 0.3 million of non-recurring D&A (impairment cost) in 2012; € 30.5 million of recurring D&A and € 5.1 million of non-recurring D&A (impairment cost) in 2011)

4. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER

	Note	2013	2012	2011
(Loss) / Profit of the period		**25.9**	**(7.9)**	**(51.5)**
Other comprehensive income for the period, after tax:				
Items that will not be reclassified subsequently to income statement				
Actuarial gains/(losses) on defined benefit pension plans	15	-	(2.2)	0.2
Items that will be reclassified subsequently to income statement				
Exchange differences on translating foreign operations		(13.7)	1.4	(6.6)
Cash flow hedge		(0.6)	-	-
Other		0,1		
Other comprehensive income/(loss) for the period, net of tax		**(14.2)**	**(0.8)**	**(6.4)**
Total comprehensive income/(loss) for the period (*)		**11.7**	**(8.7)**	**(57.9)**

(*) All attributable to the owners of the parent

5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER

		Attributable to equity holders of the Company			
	Note	Share capital	Cumulative translation reserves	Retained earnings and other reserves	Total Equity
Balance at 31 December 2010	13	**449.4**	**(2.4)**	**(30.0)**	**417.0**
Comprehensive income:					
Profit for the year		-	-	(51.5)	(51.5)
Other comprehensive income:					
Exchange differences on translating foreign operations		-	(6.6)	-	(6.6)
Actuarial gains/(losses) on defined benefit pension plans		-	-	0.2	0.2
Total other comprehensive income		**-**	**(6.6)**	**0.2**	**(6.4)**
Balance at 31 December 2011	13	**449.4**	**(9.0)**	**(81.3)**	**359.1**

		Attributable to equity holders of the Company			
	Note	Share capital	Cumulative translation reserves	Retained earnings and other reserves	Total Equity
Balance at 31 December 2011	13	**449.4**	**(9.0)**	**(81.3)**	**359.1**
Comprehensive income:					
Profit for the year		-	-	(7.9)	(7.9)
Other comprehensive income:					
Exchange differences on translating foreign operations		-	1.4	-	1.4
Actuarial gains/(losses) on defined benefit pension plans		-	-	(2.2)	(2.2)
Total other comprehensive income		**-**	**1.4**	**(2.2)**	**(0.8)**
Balance at 31 December 2012	13	**449.4**	**(7.6)**	**(91.4)**	**350.4**

		Attributable to equity holders of the Company			
	Note	Share capital	Cumulative translation reserves	Retained earnings and other reserves	Total Equity
Balance at 31 December 2012	13	**449.4**	**(7.6)**	**(91.4)**	**350.4**
Comprehensive income:					
Profit for the year		-	-	25.9	25.9
Other comprehensive income:					
Exchange differences on translating foreign operations		-	(13.7)	-	(13.7)
Actuarial gains/(losses) on defined benefit pension plans		-	-	-	-
Cash flow hedge		-	-	(0.6)	(0.6)
Other movements		-	-	0.1	0.1
Total other comprehensive income		**-**	**(13.7)**	**(0.5)**	**(14.2)**
Balance at 31 December 2013	13	**449.4**	**(21.3)**	**(66.0)**	**362.1**

6. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2013	2012	2011
Net profit/(loss) for the year		**25.9**	**(7.9)**	**(51.5)**
Adjustments for:				
Income tax expense	24	14.0	6.8	13.6
Depreciation and amortisation		33.8	31.1	35.6
(Profit)/loss on disposal of property, plant and equipment		0.7	0.7	0.5
Inventory write-down		(1.0)	(0.2)	2.2
Impairment of trade receivables	10	(3.0)	(1.1)	(1.1)
Provisions (including employee benefit liabilities)		(30.4)	24.4	6.3
Unrealised F/x difference on operating activities		1.2	(0.6)	1.8
Finance costs - net (including unrealised F/x difference on financing)		84.1	70.0	101.1
Changes in working capital:				
Inventories		7.8	(32.1)	(1.4)
Trade and other receivables and prepaid expenses		(18.0)	(5.2)	(17.8)
Trade and other payables and accrued expenses		(3.5)	4.5	12.0
Social liabilities		1.4	0.7	0.8
Cash from operating activities before taxes		**113.1**	**91.1**	**102.1**
Income tax paid		(14.7)	(3.8)	(21.8)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**98.4**	**87.3**	**80.3**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment and intangibles	8,9	(43.0)	(55.1)	(34.2)
Loss on disposal of property, plant and equipment		-	(0.4)	(0.5)
Capital grants received		0.2	1.2	0.2
NET CASH USED IN INVESTING ACTIVITIES		**(42.8)**	**(54.3)**	**(34.5)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from acquisition (net cash)	7	2.1	-	5.6
Proceeds from borrowings	14	77.4	2.2	835.0
Other proceeds from financing	14	36.3	-	1.3
Repayment of borrowings	14	(2.4)	(7.5)	(760.0)
Acquisition price paid	7	(73.2)	-	(14.8)
Interest paid	23	(64.3)	(61.2)	(49.9)
Interest received	23	0.5	0.2	0.8
Cost of refinancing & other costs of financing		(11.0)	(5.0)	(25.6)
Realised foreign exchange (losses)/gains on financing activities		(4.2)	1.6	(1.7)
Derivative financial assets		5.6	10.1	1.3
Capital increase		-	-	-
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**(33.2)**	**(59.6)**	**(8.0)**
NET INCREASE IN CASH,CASH EQUIVALENTS AND BANK OVERDRAFTS		**22.4**	**(26.6)**	**37.8**
CASH, CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**38.9**	**65.5**	**27.7**
CASH, CASH EQUIVALENTS AT THE END OF THE YEAR		**61.3**	**38.9**	**65.5**

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

7.1.1. Introduction

The significant IFRS Group accounting policies that are applied in the preparation of these IFRS Group consolidated financial statements are set out below.

7.1.2. Basis of preparation

These consolidated financial statements of the Group for the year ended 31 December 2013 have been drawn up in compliance with IFRS ("International Financial Reporting Standards") as adopted by the European Union. These include all IFRS standards and IFRIC interpretations issued and effective as at 31 December 2013. The Consolidated Financial Statement of the Group that are published in Luxembourg in accordance with the legal requirements, are those that will be prepared at the level of the ultimate parent company in Luxembourg, Ontex I S.à.r.l. The preparation of the Group Financial Statements at the level of Ontex IV SA in this document is required by the Bond Covenants and are hence primarily made available to the entity's bond holders.

These consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments for which fair value is used.

These financial statements are prepared on an accruals basis and on the assumption that the entity is in going concern and will continue in operation in the foreseeable future.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The following standards, amendments to standards and interpretations are applied for the first time for the financial year beginning 1 January 2013, which had an impact on the financial statements:

- IFRS 13 *Fair Value Measurement* (applicable for annual periods beginning on or after 1 January 2013)
- IAS 19 (revised 2011) *Employee Benefits* (applicable for annual periods beginning on or after 1 January 2013)
- Improvements to IFRS (2009-2011) (normally applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2013)

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Amendments to IAS 1 *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income* (applicable for annual periods beginning on or after 1 July 2012)
- Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* (applicable for annual periods beginning on or after 1 January 2013)

The impact of the application of the new standards and amendments is, however, not significant.

The following new standards, interpretations and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2013, but are not currently relevant for the group:

- Amendments to IFRS 1 *First Time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 1 *First Time Adoption of International Financial Reporting Standards – Government Loans* (applicable for annual periods beginning on or after 1 January 2013)
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (applicable for annual periods beginning on or after 1 January 2013)

The following new standards, amendments to standards and interpretations have been issued, but are not yet applicable for the annual period beginning on 1 January 2013:

- IFRS 9 *Financial Instruments* and subsequent amendments (not yet endorsed in EU)
- IFRS 10 *Consolidated Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 11 *Joint Arrangements* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 12 *Disclosures of Interests in Other Entities* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 14 *Regulatory Deferral Accounts* (applicable for annual periods beginning on or after 1 January 2016)
- IAS 27 *Separate Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)
- IAS 28 *Investments in Associates and Joint Ventures* (applicable for annual periods beginning on or after 1 January 2014)
- Improvements to IFRS (2010-2012) (normally applicable for annual periods beginning on or after 1 January 2014, but not yet endorsed in EU)
- Improvements to IFRS (2011-2013) (normally applicable for annual periods beginning on or after 1 January 2014, but not yet endorsed in EU)

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Amendments to IFRS 10, IFRS 12 and IAS 27 – *Consolidated Financial Statements and Disclosure of Interests in Other Entities: Investment Entities* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 19 *Employee Benefits – Employee Contributions* (applicable for annual periods beginning on or after 1 July 2014, but not yet endorsed in EU)
- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 39 – *Financial Instruments – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual periods beginning on or after 1 January 2014)
- IFRIC 21 – *Levies* (applicable for annual periods beginning on or after 1 January 2014, but not yet endorsed in EU)

Should the standards have been early adopted there would be no impact on the consolidated financial statements of the Group for the financial year ended 31 December 2013.

The amendments to IAS 36- Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Asset (applicable for annual periods beginning on or after 1 January 2014) have been early adopted in the consolidated financial statements of the Group for the financial year ended 31 December 2013 and have no material impact.

7.1.3. Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The excess of the consideration of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

Transactions with non-controlling interests

The Group treats the transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gains and losses on disposal to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

7.1.4. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill on acquisitions of associates is included in "investments in associates" and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The goodwill recognised in the statement of financial position is allocated to three Cash Generating Units (CGUs). These CGUs are Retail, Healthcare and Middle East and Africa. They represent the lowest level within the entity at which the goodwill is monitored for internal management purposes. This is in line with the centralised business model that was implemented during 2010.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7.1.5. Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euro, which is the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to interest-bearing debts and cash and cash equivalents are presented in the income statement within "Finance income" or "Finance cost". All other foreign exchange gains and losses are presented in the income statement within "other operating income/(expense), net".

For the purpose of presenting consolidated financial statements, assets and liabilities of the Group's foreign operations are translated at the closing rate at the end of the reporting period. Items of income and expense are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions), and equity items are translated at historical rates. The resulting exchange rate differences are recognised in other comprehensive income and accumulated in a separate component of equity.

The principal exchange rates that have been used are as follows:

	31 December 2013		31 December 2012		31 December 2011	
	Closing Rate	**Av Rate Year**	**Closing Rate**	**Av Rate Year**	**Closing Rate**	**Av Rate Year**
CZK	27,4270	25,9871	25,1510	25,1457	25,7870	24,5890
GBP	0,8337	0,8493	0,8161	0,8111	0,8353	0,8678
USD	1,3791	1,3281	1,3194	1,2856	1,2939	1,3917
TRY	2,9605	2,5329	2,3551	2,3145	2,4432	2,3351
AUD	1,5423	1,3770	1,2712	1,2413	1,2723	1,3481

7.1.6. Other intangible assets

An intangible asset is recognised on the statement of financial position when the following conditions are met: (1) the asset is identifiable, i.e. either separable (if it can be sold, transferred, licensed) or it results from contractual or legal rights; (2) it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; (3) the Group can control the resource; and (4) the cost of the asset can be measured reliably.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Intangible fixed assets are carried at acquisition cost (including the costs directly attributable to the transaction) less any accumulated amortisations and less any accumulated impairment losses.

Within the Group, internally generated intangibles represent IT projects. For internal IT projects, expenses that relate to the development phase are capitalised as internally generated intangibles assets. The Group's systems allow a reliable measure of expenses directly attributable to the different IT projects.

Externally acquired software is carried at acquisition cost less any accumulated amortization and less any accumulated impairment loss.

Maintenance costs as well as the costs of minor upgrades whose objective is to maintain (rather than increase) the level of performance of the asset are expensed as incurred.

Borrowing costs that are directly attributable to the acquisition, construction and or production of a qualifying intangible asset are capitalised as part of the cost of the asset.

Intangible assets are amortised on a systematic basis over their useful life, using the straight-line method. The applicable useful lives are:

Intangible Asset	Estimated useful life
Licenses	3 to 5 years
Acquired concessions, patents, know-how, and other similar rights	5 years

Amortisation commences only when the asset is available for use.

7.1.7. Property, plant and equipment

Property, plant and equipment are carried at acquisition cost less any accumulated depreciation and less any accumulated impairment loss. Acquisition cost includes any directly attributable cost of bringing the asset to working condition for its intended use. Borrowing costs that are directly attributable to the acquisition, construction and/or production of a qualifying asset are capitalised as part of the cost of the asset.

Expenditure on repair and maintenance which serve only to maintain, but not increase, the value of fixed assets are charged to the income statement. However, expenditure on major repair and major maintenance, which increases the future economic benefits that will be generated by the fixed asset, is identified as a separate element of the acquisition cost. The cost of property, plant and equipment is broken down into major components. These major components, which are replaced at regular intervals and consequently have a useful life that is different from that of the fixed asset in which they are incorporated, are depreciated over their specific useful lives. In the event of replacement, the component is replaced and removed from the statement of financial position, and the new asset is depreciated up until the next major repair or maintenance.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The depreciable amount is allocated on a systematic basis over the useful life of the asset, using the straight-line method. The depreciable amount is the acquisition cost, less residual value, if any. The applicable useful lives are:

Tangible Asset	Estimated useful life
Land	N/A
Land improvement and buildings	30 years
Plants, machinery and equipment	10 to 15 years
Furniture and vehicles	4 to 8 years
Other tangible assets	5 years
IT Equipment	3 to 5 years

The useful life of the machines is reviewed regularly. Each time a significant upgrade is performed, such upgrade extends the useful life of the machine. The cost of the upgrade is added to the carrying amount of the machine and the new carrying amount is depreciated prospectively over the remaining estimated useful life of the machine.

7.1.8. Leases

Finance leases:

The Group leases certain property, plant and equipment. Leases of property, plant and equipment for which the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease’s commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised. Contingent rentals are recognised as expenses in the periods in which they are incurred.

If there is reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset shall be depreciated over the useful life. In all other circumstances the asset is depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases:

A lease agreement is classified as an operating lease if all of the risks and rewards of ownership have not been transferred to the lessee. Payments under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

7.1.9. Impairment of non-financial assets, other than goodwill

Intangible assets with indefinite useful lives and intangible assets not yet available for use are not subject to amortisation, but are tested annually for impairment.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other assets which are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

7.1.10. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises the production costs, like raw materials, direct labour, and also the indirect production costs (production overheads based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Spare parts held by the Group are classified as property, plant and equipment if they are expected to be used in more than one period and if they are specific to a single machine. If they are not expected to be used in more than one period or if they can be used on several machines, they are classified as inventory. For the spare parts classified as inventory, the Group uses write-down rules based on the economic use of these spare parts.

7.1.11. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or supply of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue arising from the sale of goods when specific criteria have been met for each of the Group's activities. When the Group transfers the significant risks and rewards of ownership, it retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the collectability of the related receivable is reasonably assured. Revenue is recognised upon delivery of the products to the customer and its acceptance thereof. Products are generally sold to customers on an ex-works basis, however at their request, additional services may be offered by us in expediting delivery to customer premises or warehouses. The price for our products generally reflects an amount of delivery expenses incurred by us. Consequently, the revenue reflects this component.

The recognition criteria are applied to the separately identifiable components of a single transaction when it is necessary to reflect the substance of the transaction.

Interest income is recognised using the effective interest method. Dividends relating to year N are recognized when the shareholder's right to receive payment is established.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7.1.12. Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL, when the financial asset is either held for trading or is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and had a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designed effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis: or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designed as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

Financial assets at fair value through profit or loss are financial assets held for trading: they are classified as current assets. Derivatives are classified as held for trading, unless hedge accounting is applied (see 1.21. below).

Assets in this category are recognised at fair value and subsequently adjusted to fair values, with any adjustments recognised immediately in the income statement.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(b) Loans, payables and receivables

Loans, payables and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans, payables (including other and trade payables) and receivables (including trade receivables and other receivables, cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Trade and other receivables after and within one year are recognized initially at fair value and subsequently measured at amortised cost, i.e. at the net present value of the receivable amount, using the effective interest rate method, less allowances for impairment.

An allowance for impairment of trade receivables is accounted for when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the carrying amount and the present value of estimated cash flows, including the proceeds of credit insurance contracts, discounted at the effective interest rate.

The amount of the allowance is deducted from the carrying amount of the asset and is recognised in the income statement within 'sales and marketing expenses'.

Trade receivables are no longer recognised when (1) the rights to receive cash flows from the trade receivables have expired, (2) the Group has transferred substantially all risks and rewards related to the receivables.

(c) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

7.1.13. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

7.1.14. Share capital

Ordinary shares are classified as equity. Where any Group company purchases the company's equity share capital (treasury shares), the consideration paid is deducted from equity attributable to owners of the company until the shares are cancelled or reissued. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

7.1.15. Government grants

Grants from governments are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to property, plant and equipment are deducted from the acquisition cost of the assets to which they relate and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

7.1.16. Employee benefits

Short-term employee benefits

Short-term employee benefits are recorded as an expense in the income statement in the period in which the services have been rendered. Any unpaid compensation is included in 'social liabilities' in the statement of financial position.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Post-employment benefits

Group companies operate various pension schemes. Most of the schemes are unfunded. Some schemes are funded through payments to insurance companies or pension funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income. The net interest cost relating to the defined benefit plans is recognized within financial expenses.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Long-term employee benefits

Unfunded obligations arising from long-term benefits are provided for using the projected unit credit method.

Termination benefits

Early termination obligations are recognised as a liability when the Group is ‘demonstrably committed’ to terminating the employment before the normal retirement date. The Group is ‘demonstrably committed’ when, and only when, it has a detailed formal plan for the early termination without realistic possibility of withdrawal. Where such benefits are long term, they are discounted using the same rate as above for defined benefit obligations.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7.1.17. Provisions

Provisions are recognised when (I) the Group has a present legal or constructive obligation as a result of past events; (II) it is probable that an outflow of resources will be required to settle the obligation; (III) and the amount has been reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

If the Group has an onerous contract, it will be recognised as a provision. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

A provision for restructuring is only recorded if the Group demonstrates a constructive obligation to restructure at the balance sheet date. The constructive obligation should be demonstrated by: (a) a detailed formal plan identifying the main features of the restructuring; and (b) raising a valid expectation to those affected that it will carry out the restructuring by starting to implement the plan or by announcing its main features to those affected.

7.1.18. Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

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However, the deferred tax is not recognised for:

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- Deferred tax is recognised on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax liabilities are generally recognised for all taxable temporary differences (including unused tax losses/tax credits carried forward). Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxes are calculated at the level of each fiscal entity in the Group. The Group is able to offset deferred tax assets and liabilities only if the deferred tax balances relate to income taxes levied by the same taxation authority.

7.1.19. Financial liabilities

Financial liabilities are classified as either financial liabilities ‘at FVTPL' or ‘other financial liabilities'.

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:

a) currently has a legally enforceable right to set off the recognised amounts; and

b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(a) ***Financial liabilities at FVTPL***

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability in the consolidated income statement.

(b) ***Other financial liabilities***

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

A limited part of trade payable is subject to reverse factoring. As the main risk and rewards of the trade payable remain with the Group, the financial liability is not de-recognised from trade payable.

7.1.20. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate CAP’s.

Derivatives are accounted for in accordance with IAS 39. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss

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immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The fair values of various derivative instruments are disclosed in note 4 “Financial instruments & financial risk management”. The full fair value of a derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

If no hedge accounting is applied, the Group recognises all gains or losses resulting from changes in fair value of derivatives in the consolidated income statement within “Other operating income/expense” to the extent that they relate to operating activities and within “Finance income” of “Finance costs” to the extent that they relate to the financing activities of the Group (e.g. interest rate swaps relating to the floating rate borrowings).

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

7.1.21. Hedge accounting

The Group designates certain hedging instruments, which include derivatives in respect of foreign currency risk, as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the ‘other operating income/(expense)' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated income statement as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

7.1.22. Operating segments

The Group's activities are in one segment. There are no other significant classes of business, either singularly or in aggregate. The chief operating decision maker, the Board of Directors, review the operating results (defined as EBITDA) and operating plans, and make resource allocation decisions on a company-wide basis; therefore the Group operates as one segment.

7.1.23. Statement of cash flows

The cash flows of the Group are presented using the indirect method. This method reconciles the movement in cash for the reporting period by adjusting net profit of the year for any non-cash items and changes in working capital, and identifying investing and financing cash flows for the reporting period.

7.1.24. Non-GAAP Measures

EBITDA is defined as earnings before net finance cost, income taxes, depreciation and amortization have been deducted. This non-GAAP measure has been included in the financial statements since management believes that it is widely used by certain investors, securities analysts and other interested parties as supplemental measure of performance and liquidity.

Management also discloses non-recurring expenses. Non-recurring expenses are defined as those items that are considered by management to be non-recurring or unusual because of their nature. The non-recurring expenses relate to:

- acquisition costs;
- business restructuring costs, including costs relate to the liquidation of subsidiaries and the closure, opening or relocations of factories;
- asset impairment costs.

7.2. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide benefits for shareholders.

The Group monitors capital on the basis of the net debt position. The Group's net debt position is calculated by adding all short and long-term interest bearing debts and by deducting the available short-term liquidity.

The net debt positions of the Group for the years ended 31 December are as follows:

	2013	**2012**	**2011**
Long-term interest bearing debt	896.7	818.7	814.9
Short-term interest bearing debt	13.9	14.0	20.4
Available short-term liquidity	(61.3)	(38.9)	(65.5)
Total net debt position	**849.3**	**793.8**	**769.8**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7.3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The amounts presented in the consolidated financial statements involve the use of estimates and assumptions about the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual amounts may differ from these estimates. The estimates and assumptions that could have an impact on the consolidated financial statements are discussed below:

7.3.1. Income taxes

The Group has tax losses and tax credits usable to offset future taxable profits, mainly in France and Belgium, amounting to € 566.7 million at 31 December 2013 (€ 449.0 million at 31 December 2012). The Group has not fully recognised deferred tax assets in this respect. The valuation of this asset depends on a number of judgmental assumptions regarding the future probable taxable profits of different Group subsidiaries in different jurisdictions and on the outcome of tax planning strategies. These estimations are made prudently in the limit of the best current knowledge. Where circumstances should change and the final tax outcome would be different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Overall, the rationale for not recognising deferred tax assets in respect of tax losses and tax credits is based on the fact that the losses are mainly generated as a consequence of the historic financing structure, the modification of which is depending on future events. Although the Group has planned some significant tax actions, these will only be taken into account for recognising deferred tax assets upon implementation.

7.3.2. Impairment

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 1.4 “Goodwill”. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. These are summarised here below:

As at 31 December	**2013**	**2012**	**2011**
Pre-tax discount rate			
Retail	*10.6%*	*10.0%*	*12.0%*
Healthcare	*10.7%*	*10.1%*	*12.0%*
Turkey Region	*10.9%*	*11.5%*	*16.3%*

Should the estimated EBITDA at 31 December 2013 and the following 2 years decrease by 15% than the discounted cash flows used in the calculation of the recoverable amount, or should the discount rate used in the calculation done at that date increase by 15%, no impairment would be recognised. Sufficient headroom is available to support the carrying amount of goodwill.

Future cash flows are estimates that are likely to be revised in future periods as underlying assumptions changes. Key assumptions in supporting the value of goodwill include long-term interest rates and other market data. Should the assumptions vary adversely in the future, the value in use of goodwill may reduce below their carrying amounts. Based on current valuations, headroom appears to be sufficient to absorb a normal variation in the underlying assumptions.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7.3.3. Expected useful lives

The expected useful lives of the property, plant and equipment and intangible assets must be estimated. The determination of the useful lives of the assets is based on management's judgment and it is reviewed at least at each financial year-end, pursuant to IAS 16.

7.3.4. Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. All derivative financial instruments are, in accordance with IFRS 7, level 2. This means valuation methods are used for which all inputs that have a significant effect on the recorded fair value are observable in the market, either directly or indirectly.

7.3.5. Employee benefits

The carrying amount of the Group's employee benefit obligations is determined on an actuarial basis using certain assumptions. One particularly sensitive assumption used for determining the net cost of the benefits granted is the discount rate. Any change to this assumption will affect the carrying amount of those obligations.

The discount rate depends on the duration of the benefit, i.e. the average duration of the engagements, weighted with the present value of the costs linked to those engagements. According to IAS 19, the discount rate has to correspond to the rate of high-quality corporate bonds of similar term to the benefits valued and in the same currency.

Would the discount rate used be higher or lower than 1%, the impact on the financial statements would not be material.

7.3.6. Research & Development

Notwithstanding the detailed follow up of the R&D programs for product development per project, the administrative system of the Group does not differentiate the incurred expenses between research and development phases. Therefore, the expenses in relation to the research and development phase are charged to the statement of comprehensive income within operating results.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7.4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

7.4.1. Overview of financial instruments

The table below summarises all financial instruments by category in accordance with IAS 39 and discloses the fair values of each instrument and the fair value hierarchy:

	31 December 2011				
Financial instruments	**Designated in hedge relationship**	**At fair value through profit or loss - Held for trading**	**Loans and receivables At amortised cost**	**Fair value**	**Fair value level**
Non-current receivables			0.00	0.00	Level 2
Trade receivables			153.25	153.25	Level 2
Other receivables			18.47	18.47	Level 2
Derivative financial assets	16.40	1.00		17.40	
Interest rate caps		*1.00*		*1.00*	Level 2
Forward foreign exchange contracts	*1.6*			*1.60*	Level 2
Oil Brent Call Option	*14.80*			*14.80*	Level 2
Cash and cash equivalents			65.47	65.47	Level 2
Total Financial Assets	**16.40**	**1.00**	**237.19**	**254.59**	
Interest-bearing debts - non-current			814.88	695.24	
Senior Secured Notes 2011 > 1 Year			*311.41*	*289.60*	Level 1
Floating Rate Notes 2011 > 1 Year			*272.48*	*238.84*	Level 1
Senior Unsecured Notes 2011 > 1 Year			*228.69*	*164.50*	Level 1
Financial lease & other liabilities			*2.30*	*2.30*	Level 2
Derivative financial liabilities			0.00	0.00	
Other payables - non-current			0.00	0.00	Level 2
Interest-bearing debts - current			20.39	20.39	
Bonds issued 31 March 2011:			*12.73*	*12.73*	Level 1
Financial lease & other liabilities			*2.00*	*2.00*	Level 2
Factoring			*5.66*	*5.66*	Level 2
Trade payables			220.08	220.08	Level 2
Other payables - current			13.79	13.79	Level 2
Total Financial Liabilities			**1,069.14**	**949.50**	

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Financial instruments	31 December 2012				
	Designated in hedge relationship	At fair value through profit or loss - Held for trading	Loans and receivables At amortised cost	Fair value	Fair value level
Non-current receivables			0.15	0.15	Level 2
Trade receivables			163.49	163.49	Level 2
Other receivables			24.22	24.22	Level 2
Derivative financial assets	5.73	0.08		5.81	
Interest rate caps		*0.08*		*0.08*	Level 2
Oil Brent Call Option	*5.73*			*5.73*	Level 2
Cash and cash equivalents			38.90	38.90	Level 2
Total Financial Assets	**5.73**	**0.08**	**226.76**	**232.57**	
Interest-bearing debts - non-current			818.69	865.93	
Senior Secured Notes 2011 > 1 Year			*312.71*	*340.80*	Level 1
Floating Rate Notes 2011 > 1 Year			*273.62*	*275.10*	Level 1
Senior Unsecured Notes 2011 > 1 Year			*229.66*	*247.34*	Level 1
Financial lease & other liabilities			*2.70*	*2.70*	Level 2
Derivative financial liabilities			0.00	0.00	
Other payables - non-current			0.01	0.01	Level 2
Interest-bearing debts - current			14.00	14.00	
Bonds issued 31 March 2011:			*12.00*	*12.00*	Level 1
Financial lease & other liabilities			*2.00*	*2.00*	Level 2
Trade payables			222.76	222.76	Level 2
Other payables - current			13.13	13.13	Level 2
Total Financial Liabilities			**1,068.59**	**1,115.83**	

Financial instruments	31 December 2013				
	Designated in hedge relationship	At fair value through profit or loss - Held for trading	Loans and receivables At amortised cost	Fair value	Fair value level
Non-current receivables			0.10	0.10	Level 2
Trade receivables			198.99	198.99	Level 2
Other receivables			31.41	31.41	Level 2

Ontex Hygienic Disposables

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Derivative financial assets	0.98	0.12		1.10	
Interest rate caps		*0.12*		*0.12*	Level 2
Forward foreign exchange contracts	*0.98*			*0.98*	Level 2
Cash and cash equivalents			61.29	61.29	Level 2
Total Financial Assets	**0.98**	**0.12**	**291.79**	**292.89**	
Interest-bearing debts - non-current			896.68	952.37	
Senior Secured Notes 2011 > 1 Year			*389.71*	*415.74*	Level 1
Floating Rate Notes 2011 > 1 Year			*274.78*	*280.23*	Level 1
Senior Unsecured Notes 2011 > 1 Year			*230.62*	*254.83*	Level 1
Financial lease & other liabilities			*1.57*	*1.57*	Level 2
Derivative financial liabilities	1.86			1.86	
Forward foreign exchange contracts	*1.86*			*1.86*	Level 2
Other non-current financial liabilities			10.00	10.00	Level 3
Other payables - non-current			0.00	0.00	Level 2
Interest-bearing debts - current			13.91	13.90	
Bonds issued 31 March 2011:			*13.19*	*13.19*	Level 1
Financial lease & other liabilities			*0.71*	*0.71*	Level 2
Other current financial liabilities			8.00	8.00	Level 3
Trade payables			243.20	243.2	Level 2
Other payables - current			10.97	10.97	Level 2
Total Financial Liabilities	**1.86**		**1,184.62**	**1,240.35**	

Trading derivatives are classified as current assets or current liabilities. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months. All trading derivatives fair value measurement is based on level 2 inputs as defined under IFRS 7§27, meaning inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The above table provides an analysis of financial instruments grouped into Levels 1 to 3 based on the degree to which the fair value (recognised on the statement of financial position or disclosed in the notes) is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial assets and financial liabilities are based on mathematical models that use market observable data and are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes).
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.
- Level 3 liabilities: the amount has been determined based on contractual agreements.

The Group has derivative financial instruments which are subject to offsetting, enforceable master netting arrangements and similar agreements. No offsetting needed to be done per 31 December 2013.

The counterparties of the interest rate cap and FX option contracts have an A-credit rating.

7.4.2. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

There have been no changes in the risk management department since year end or in any risk management policies. Hedge accounting was not applied in the 2012 and 2011 year-end financial statements. In 2013 hedge accounting is applied with respect to the foreign currency forward contracts.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7.4.3. Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the British pound (GBP) the Polish zloty (PLN) and the Turkish lira (TL) on sales, and the US dollar (USD) on procurement. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The group also has exposures to the Turkish lira (TL), Algerian dinar (DZD), Russian ruble (RUB) and the Czech krone (CZK) due to their net investments in foreign operations.

The Group monitors its foreign exchange exposure closely and will enter into hedging transactions if deemed appropriate to minimize exposure throughout the group to foreign exchange fluctuations. All hedging decisions are subject to approval of the Board of Directors. In 2013 the Group decided to enter in foreign exchange hedging contracts.

To manage their foreign exchange risk arising from future commercial transactions, recognized assets and liabilities, the Group uses forward exchange contracts. Foreign exchange risk arises when future commercial transactions, recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group treasury is responsible for optimizing the net position in each foreign currency when possible and appropriate. The Group applies hedge accounting for the hedge related transactions, the impact of the revaluation is recognised in other comprehensive income.

The Group has entered into foreign exchange forward contracts in December 2013 maturing at the latest in December 2014 in order to limit volatility in the business resulting from exposures to sales in British pound, Polish zloty, Turkish lira, Australian dollar and Russian ruble as well as purchases in USD and CZK to occur in 2014. Based on the hedge strategy, the foreign exchange forward contracts hedge the following portions of the forecasted exposures until 31 December 2014: for British pound GBP 87.4 million, for Polish zloty PLN 139.7 million, for Turkish lira TL 48.5 million, for Australian dollar AUD 27.9 million, for Russian ruble RUB 418.0 million, for Czech krone CZK 225.2 million and for US Dollar USD 96.9 million.

At inception of the foreign exchange contracts, those were designated as cash flow hedges. At the moment the forecasted transactions materialise, the foreign exchange forward contracts become fair value hedges.

The terms of the foreign currency forward contracts have been negotiated to match the terms of the forecasted transactions. The Group applies hedge accounting to the foreign currency forward contracts.

As of 31 December 2013 an unrealized gain of € 0.8 million (Turkish lira, Australian dollar, Czech krone) and an unrealized loss of € 1.4 million (British pound, Polish zloty, US dollar) has been recognized in other comprehensive income.

As of 31 December 2013 the fair value of the derivative financial asset for the foreign exchange contracts amounted to € 1 million and of the derivative financial liability amounted to € 1.9 million.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At 31 December if the euro had weakened/strengthened by 10% against the reported currency with all other variables held constant, pre-tax profit for the year would have been € million higher (+) / lower (-) as indicated in the table below, mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade receivables and payables and derivative positions as at the respective balance sheet dates.

In € million	10% weakening of the EUR				10% strengthening of the EUR			
	2013		2012	2011	2013		2012	2011
	impact on P&L	impact on equity			impact on P&L	impact on equity		
PLN	2.7	(2.3)	3.0	2.2	(2.2)	1.9	(2.5)	(1.8)
GBP	(0.0)	(2.6)	0.0	(0.0)	0.0	2.1	0.0	0.0
USD	(1.1)	1.7	(1.5)	3.7	0.9	(1.4)	1.2	0.1
RUB	0.0	(0.6)			0.0	0.5		

7.4.4. Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. These risks are managed centrally by Group treasury taking into account the expectations of the Group with respect to the evolutions of the market rates. The Group has used interest rate caps to manage these risks.

Since the Group's policy is to hedge the exposures on a group level without detailed documentation with respect to hedge accounting, the Group decided not to apply hedge accounting for these transactions.

Sensitivity of the value of the interest payments related to loans, including the impact of the related derivative financial instruments: At 31 December the Ontex debt is constituted of Senior Secured Fixed Rate Notes, Senior Secured Floating Rate Notes and Senior Unsecured Fixed Rate Notes. The loans with floating interest rates are based on EURIBOR.

Sensitivity of the fair value of derivative financial instruments related to loans: At 31 December 2013, if EURIBOR interest rates had been 10bps higher/lower with all other variables held constant, pre-tax profit for the year would have been respectively € 0.04 million higher / € 0.03 million lower. At 31 December 2012, if EURIBOR interest rates had been 10bp higher/lower with all other variables held constant, pre-tax profit for the year would have been respectively € 0.03 million higher/ € 0.03 million lower. At 31 December 2011, if EURIBOR interest rates had been 50 bps higher/lower with all other variables held constant, pre-tax profit for the year would have been respectively € 0.3 million higher / € 0.2 million lower. The variance in the sensitivity analysis was modified in 2012 compared to 2011 because applying a shift of 50bps in 2012 would result in negative interest rates in the short run.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Sensitivity of the fair value of loans: At 31 December 2013, 31 December 2012 and 31 December 2011 the only Floating Rate Notes related to € 280.0 million Senior Secured Floating Rate Notes due 2018 carrying an interest of EURIBOR 3 months plus a margin of 4.125%.

The notional principal amounts of the outstanding fixed payer interest rate swap/cap contracts at 31 December 2013 are: € 150 million; 2012: € 150 million; 2011: € 150 million. At 31 December 2013, there is a CAP for € 150 million—strike 4.5%.

7.4.5. Price risk (commodity)

The Group has some exposure to the price of oil because certain of the raw materials used in production are manufactured from oil derivatives. These include glues, polyethylene and polypropylene.

The Group has entered into an Oil Brent Call Option for a measured quantity of oil barrels for the period through to September 2013 in the second half of 2013. The option reached its maturity on 15 September 2013 and has not been replaced. The nominal amount of the Oil Hedge outstanding at 31 December 2013 is zero (2012: € 31.5 million).

7.4.6. Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to corporate customers, including outstanding receivables and committed transactions. The Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors based on which individual risk limits are set in accordance with the limits set by business managers. Historical default rates have been below 1% in 2011, 2012 and 2013. Trade receivables are spread over different countries and counterparties and there is no large concentration with one or a few counterparties.

We refer to note 10 for the ageing of the receivables and the doubtful receivables.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

7.4.7. Liquidity risk

Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 14 "Borrowings") at all times so that the Group does not breach borrowing limits or covenants (where applicable) on its borrowing facilities.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The table below analyses the Group's financial liabilities (including interest payments) into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2011				
Borrowings	(57.3)	(57.2)	(175.3)	(958.2)
Trade payables	(220.1)			
At 31 December 2012				
Borrowings	(57.2)	(57.6)	(178.3)	(897.6)
Trade payables	(222.8)			
At 31 December 2013				
Borrowings	(63.2)	(63.8)	(841.5)	(241.1)
Trade payables	(243.2)			

The table above does not contain finance lease liabilities. The maturity of these financial liabilities was less than one year at each balance sheet date.

7.5. OPERATING SEGMENTS

According to IFRS 8, reportable operating segments are identified based on the "management approach". This approach stipulates external segment reporting based on the Group's internal organisational and management structure and on internal financial reporting to the chief operating decision maker. The Group's activities are in one segment, "Hygienic Disposable Products". There are no other significant classes of business, either singularly or in aggregate. The chief operating decision maker, the Board of Directors, review the operating results and operating plans, and make resource allocation decisions on a company-wide basis. Therefore the Group operates as one segment. Enterprise-wide disclosures about product sales, geographic areas and revenues from major customers are presented below:

7.5.1. Information by division:

By Division	2013	2012	2011
Retail (*)	933.8	878.5	886.9
Healthcare	379.7	269.9	199.0
Turkey	178.4	160.6	131.7
Ontex Group Sales	**1,491.9**	**1,309.0**	**1,217.6**

(*) Operationally, the Retail division is split into two sub-divisions: Mature Market Retail and Growth Markets. Since Retail Growth accounts for less than 10% of consolidated sales and consolidated assets, and since, except for the geographical focus, both sub-divisions are similar, both sub-divisions are aggregated in our reporting.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7.5.2. Information by product sales:

The key product categories are:

- Babycare products, principally baby diapers and, to a lesser extent, baby pants;
- Feminine care products, such as sanitary towels, panty liners and tampons;
- Adult incontinence products, such as adult pants, adult diapers, incontinence towels and bed protection.

By Product Group	2013	2012	2011
Baby	783.2	722.8	724.0
FemCare	197.5	187.4	188.9
Incontinence	490.6	379.6	286.5
Other (Traded goods)	20.6	19.2	18.2
Ontex Group Sales	**1,491.9**	**1,309.0**	**1,217.6**

7.5.3. Information by geographic area:

The organisational structure of the Group and its system of internal information indicates that the main source of geographical risks results from the location of its customers (destination of its sales) and not the physical location of its assets (origin of its sales). The location of Group’s customers is accordingly the geographical segmentation criterion and is defined as below:

- Western Europe
- Eastern Europe
- Rest of the World

	2013	2012	2011
Western Europe	1,020.7	880.1	868.1
Eastern Europe	197.3	183.7	157.9
Rest of the World	273.9	245.2	191.6
Ontex Group Sales	**1,491.9**	**1,309.0**	**1,217.6**

7.5.4. Revenues from major customers:

The Group does not have a single significant customer. In 2013 the largest customer represents 6.4% of the revenues. The 10 largest customers represent 38.7% of 2013 revenues.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7.6. LIST OF CONSOLIDATED COMPANIES

Ontex has the following subsidiaries:

Name	Percentage of interest held by the group			Registered office	Company legal number
	2013	2012	2011		
Ontex Coordination Center bvba	100%	100%	100%	Spinnerijstraat 12, 9240 Zele, Belgium	0460.560.453
Eutima bvba	100%	100%	100%	Korte Moeie 53, 9900 Eeklo, Belgium	0415.412.891
Ontex Retail UK Ltd.	100%	100%	100%	Unit 5 (1st Floor), Grovelands Business Centre, Boundary Way, Hemel Hempstead, Hertfordshire, HP2 7TE, United Kingdom	N/A
Ontex Health Care UK Ltd.	100%	100%	100%	Kettering Parkway, Kettering Venture Park, Kettering, Northants, NN156XR, United Kingdom	N/A
Ontex Hygiënartikel Deutschland GmbH	100%	100%	100%	Fabrikstrasse 30, 02692 Grosspostwitz, Germany	N/A
Ontex Italia Srl	100%	100%	100%	Via Delle Grazie 6,25122 Brescia, Italy	N/A
Ontex CZ Sro	100%	100%	100%	Vesecko 491, 51101 Turnov, Czech Republic	N/A
Ontema bvba	100%	100%	100%	Genthof 12,9255 Buggenhout, Belgium	0453.081.852
Ontex Romania Srl	100%	100%	100%	5 Str. Caderea Bastilieri, et. 1, ap. 10, sector 1, Bucharest, Romania	N/A
Ontex Polska sp. z.o.o.	100%	100%	100%	ul. Legionów 93/95, lok 26, 91-072 Lodz, Poland	N/A
Ontex Peninsular SAU	100%	100%	100%	Poligono Industrial Nicomedes Garcia, C/Fresno s/n, sector C, 40140 Valverde del Majano, Segovia, Spain	N/A
Ontex Mayen GmbH	100%	100%	100%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	N/A
Hygiëne Medica SA	100%	100%	100%	625 Avenue de la Saladelle, 34130 Saint-Aunes, France	N/A
Ontex OOO	100%	100%	100%	11A Derbenevskaya naberezhnaya, Moscow 115114, the Russian Federation	N/A
Ontex Logistics GmbH	100%	100%	100%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	N/A

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Name	Percentage of interest held by the group 2013	2012	2011	Registered office	Company legal number
Ontex Tuk. Urn. San. ve Tic. AS	100%	100%	100%	Yenibosna, Merkez Mh. Asena Sk. No 2, Bahçelievler, Istanbul, Turkey (as from 01/01/2013 address is Selimpasa Merkes Mahallesi 5000, Sokak N10 34590 Silivri, Istanbul, Turkey	N/A
Ontex Vertrieb Gmbh & Co. KG	100%	100%	100%	Robert Bosch Str 8, 56727 Mayen, Germany	N/A
Ontex France SAS	100%	100%	100%	586 Boulevard Albert Camus, 694000 Villefranche-sur-Saone France	N/A
Moltex Baby-Hygiene Beteiligungs GmbH	100%	100%	100%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	N/A
WS Windel-Shop GmbH	100%	100%	100%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	N/A
Ontex Health Care France SA	100%	100%	100%	18 Rue de Croix, 59290 Wasquehal, France	N/A
Ontex ID SAU	100%	100%	100%	Poligono Industrial Nicomedes Garcia, C/Fresno s/n, sector C, 40140 Valverde del Majano, Segovia, Spain	N/A
Ontex Healthcare Deutschland GmbH	100%	100%	100%	Hansaring 6, Lotte 49504, Germany	N/A
Hycos GmbH	0%	0%	100%	Ringstrasse 14, 09569 Oederan, Germany	N/A
Ontex bvba	100%	100%	100%	Genthof 5, 9255 Buggenhout, Belgium	0419.457.296
Ontex Recklinghausen GmbH	100%	100%	100%	Blitzkuhlenstrasse 205, 45659 Recklinghausen, Germany	N/A
ONV Middleco bvba	0%	100%	100%	Spinnerijstraat 12, 9240 Zele, Belgium	0479.340.346
ONV Topco NV	100%	100%	100%	Spinnerijstraat 12, 9240 Zele, Belgium	0479.340.742
Ontex International bvba	100%	100%	100%	Spinnerijstraat 12, 9240 Zele, Belgium	0478.866.432
Ontex Beteiligungsgesellschaft GmbH	100%	100%	100%	Robert Bosch Str. 8, 56727 Mayen, Germany	N/A
Ontex RU LLC	100%	100%	100%	11A Derbenevskaya naberezhnaya, Moscow 115114, the Russian Federation	N/A
Ontex Hygienic Disponables (Yangzhou) Co.TD	100%	100%	100%	Hangji industrial park, Hanjiang Dictrict, 225111 Yangzhou, China	N/A

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Name	Percentage of interest held by the group 2013	2012	2011	Registered office	Company legal number
Ontex ES Holdco SL	100%	100%	100%	Poligono Industrial Nicomedes Garcia, C/Fresno s/n, sector C, 40140 Valverde del Majano, Segovia, Spain	N/A
Can Hygiene SPA	100%	100%	100%	Haouch Sbaat Nord, Zone Industrielle de Rouiba, Voie H, lot 83B, 16012 Rouiba, Alger, Algeria	N/A
Ontex Healthcare bvba	0%	100%	100%	Genthof 5, 9255 Buggenhout, Belgium	0893.417.906
Ontex Inko Deutschland GmbH	100%	100%	100%	Robert Bosch Str. 8, 56727 Mayen, Germany	N/A
CR-Med Hygieneartikel GmbH	0%	0%	100%	Giesbert-Bergerhoff-Str. 56, 49076 Osnabrück, Germany	N/A
Ontex Manufacturing Pty Ltd (former Ontex Australia Pty Ltd)	100%	100%	100%	Wonderland Drive 5, Eastern Creek, NSW, 2766, Australia	N/A
LLC Ontex Ukraine	100%	100%	100%	Building 7(C), 13 M. Pymonenka Street, 04050 Kyiv, Ukraine,	37728333
Ontex Pakistan	100%	100%	100%	Office No 705, 7th Floor, Park Avenue, Main Sharh-e-Faisal, Karachi Sindh 7400, Pakistan	N/A
Ontex Santé France SAS	100%	100%	100%	Rue de Croix 18, 59290 Wasquehal, France	N/A
Lille Healthcare Sprl	0%	0%	100%	Chaussée de Nivelles 167, 7181 Arquennes, Belgium	0809.895.956
Lille Healthcare SL	0%	0%	100%	21, 4-1a Calle Bruc, 0810 Barcelona, Spain	N/A
Lille Healthcare GmbH	0%	0%	100%	138 Torstraße, 10119 Berlin, Germany	N/A
Ontex Australia Pty Ltd	100%	100%	100%	Suite 10, 27 Mayneview Street, Milton, QLD 4064, Australia	ABN 59 130 076 283
Lille Healthcare Ltd	0%	0%	100%	61-62 Gosport Business Center, Aerodrome Road, Hampshire, PO13 0FQ	06550768
Ontex Central Asia LLP	100%	100%	0%	Almaty, Bostandyk district, Al-Farabi Avenue 5, Business Center Nurly Tau, Blok 1A, Suite 502, Kazachstan	N/A
Ontex Hygiene Sarlau	100%	100%	0%	Angle rue Al Kadi Lass et reu Ahmen Majjati Mâarif, 5ième étage, Casablanca, Morocco	N/A
Serenity Holdco S.r.l.	100%	0%	0%	Localita Cucullo, Zona Industriale, 66026 Ortona (Chieti)	

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Name	Percentage of interest held by the group			Registered office	Company legal number
	2013	2012	2011		
Ontex Manufacturing Italy S.r.l.	100%	0%	0%	Localita Cucullo, Zona Industriale, 66026 Ortona (Chieti)	
Serenity Spa	100%	0%	0%	Localita Cucullo, Zona Industriale, 66026 Ortona (Chieti)	

The voting rights equal the percentage of interest held.

The most significant Group subsidiaries are Ontex bvba, Ontex Mayen GmbH, Ontex Czech Republic Sro, Ontex Tuketim AS and Serenity Spa.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7.7. BUSINESS COMBINATIONS

On 4 April 2013 the Group acquired all the shares and voting rights of Serenity S.p.a. (former Artsana SUD S.p.a.) and its subsidiaries. The acquisition provides the Group with an established platform for operations in the Italian incontinence market, a segment and geography in which the Group had limited presence, as well as the opportunity to develop the babycare business in Italy. Furthermore the Group gained access to an extensive and efficient distribution network and "made in Italy" credentials through the acquisition of the manufacturing plant.

Serenity has been consolidated as from 1 April 2013.

The Group paid a consideration of € 49.2 million, repaid € 24.0 of debt to the former shareholders and has agreed on certain earn-out payments totalling no more than € 18 million. The cash impact in 2013 amounted to € 73,2 million. The net assets acquired amount to € 48.6 million. As a consequence, the Group recognized a goodwill of € 18.6 million in the statement of financial position. As of 31 December 2013 the Group has finalised the purchase price allocation.

We have also agreed to certain earn-out payments (contingent consideration) totalling no more than € 18 million (the "Earn-out Payments") and consisting of: (a) up to € 8 million and € 5 million in 2014 and 2015, respectively, depending on Serenity's year end EBITDA in 2013 and 2014, respectively; and (b) a final payment of up to € 5 million on the third anniversary of the Acquisition Closing Date, based on improvements to Serenity's DSO ("Days of Sales Outstanding") with respect to its Public Tender Contracts. These future earn out payments have been recognised in the statement of financial position under the non-current (€ 10 million) and the current other financial liabilities (€ 8 million) at fair value. These financial liabilities are non-interest bearing.

The full amount of the earn-out payments has been taken into account for the determination of the goodwill.

The goodwill of € 18.6 million arising from the acquisition is attributable to acquired workforce, scale and geographical spread of the operations, expected from acquiring the operations of the group.

None of the goodwill recognised is expected to be deductible for income tax purposes.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes the consideration paid for Serenity S.p.a. and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

Consideration at 4 April 2013 ***(in € million)***	
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	2.1
Property, plant, and equipment	27.3
Intangible assets (excluding goodwill)	0.1
Inventories	17.4
Trade and other receivables	54.2
Deferred tax assets	0.0
Trade and other payables	(21.7)
Employee benefit obligations	(1.9)
Borrowings	(24.0)
Other assets and liabilities acquired	(2.7)
Deferred tax liabilities	(2.3)
Total identifiable net assets acquired	**48.6**
Allocation to Goodwill	18.6
Total consideration	**67.2**
Purchase price:	
Cash	49.2
Contingent consideration	18.0
Fair value of shares exchanged	0.0
Total consideration transferred	**67.2**

As a result of the acquisition and fair values (to land, buildings and PPE) assigned by the appraisal specialist, the consolidated statement of financial position as of 31 December 2013 reflect adjustments made in accordance with IFRS 3, Business Combinations, for a total amount of € 27.3 million.

The acquisition related costs in the period ended 31 December 2013 amounted to € 8.2 million and are included in non-recurring expenses in the income statement. Since acquisition date, Serenity generated revenues and net result of respectively € 108.6 million and € 5.4 million in 2013. Had this business combination been effected at 1 January 2013, the revenue of Serenity from continuing operations would have been € 146.8 million and the net result would have been € 8.2 million. The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of Serenity on an annualised basis and to provide a reference point for comparison in future periods.

The gross contractual amounts receivable amount to EUR 54,2 million. The best estimate is that at the acquisition date, all contractual cash flows are expected to be collected.There are no contingent arrangements or indemnification assets.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7.8. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	IT implementation costs	Other intangibles	Total
Year ended 31 December 2011				
Opening net book amount	831.3	4.8	0.6	836.7
Additions	-	2.1	-	2.1
Amortization charge	-	(2.5)	(0.1)	(2.6)
Other movements (*)	10.2	-	-	10.2
Closing net book amount	**841.5**	**4.4**	**0.5**	**846.4**
At 31 December 2011				
Cost or valuation	841.5	14.4	0.9	856.8
Accumulated amortization and impairment	-	(10.0)	(0.4)	(10.4)
Net book amount	**841.5**	**4.4**	**0.5**	**846.4**
Year ended 31 December 2012				
Opening net book amount	841.5	4.4	0.5	846.4
Additions	-	1.7	-	1.7
Amortization charge	-	(2.2)	(0.1)	(2.3)
Other movements	-	-	-	-
Closing net book amount	**841.5**	**3.9**	**0.4**	**845.8**
At 31 December 2012				
Cost or valuation	841.5	16.1	0.9	858.5
Accumulated amortisation and impairment	-	(12.2)	(0.5)	(12.7)
Net book amount	**841.5**	**3.9**	**0.4**	**845.8**
Period ended 31 December 2013				
Opening net book amount	841.5	3.9	0.4	845.8
Additions		3.0	-	3.0
Disposals	-	(0.2)	-	(0.2)
Amortization charge	-	(2.4)	(0.1)	(2.5)
Exchange differences	-	-	-	-
Other movements	-	-	-	-
Acquisitions through business combination	18.6	0.1		18.7
Closing net book amount	**860.1**	**4.4**	**0.3**	**864.8**
At 31 December 2013				
Cost or valuation	860.1	13.1	0.9	874.1
Accumulated amortization and impairment	-	(8.7)	(0.6)	(9.3)
Net book amount	**860.1**	**4.4**	**0.3**	**864.8**

(*) This movement should be considered as a movement in opening balance sheet (final purchase price allocation).

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Capitalised IT implementation costs represent internally developed and externally purchased software for own use. Other intangibles represent acquired customer relationships.

The amortization cost is included in the captions of the consolidated statement of comprehensive income as follows:

	2013	2012	2011
Cost of sales	0.0	0.0	0.1
Distribution expenses	0.0	0.0	0.0
Sales and marketing expenses	0.3	0.5	0.5
General and administrative expenses	2.1	1.7	2.0
Total depreciation and amortization	**2.5**	**2.3**	**2.6**

As indicated in note 14.1 “Borrowings”, the Group’s current and future intangible assets are pledged as security for the Group’s borrowings.

The Group incurred € 4.5 million of research and development expenses in 2013 (2012: € 3.7 million; 2011: € 3.3 million) that has been recorded under the caption “General and administrative expenses”.

Goodwill impairment

For the purpose of performing impairment reviews, the Group has identified three cash generating units (CGUs): Retail, Healthcare and Turkey Region. Annual impairment reviews are performed as at 31 December for all CGUs. These reviews compare the carrying value of each CGU with the recoverable amount of the CGU’s assets calculated using a discounted cash flow model. If the recoverable amount is less than the carrying value of the CGU, an impairment loss is recognised immediately in the income statement.

Goodwill allocated to the CGUs as at 31 December was as follows:

	2013	2012	2011
Retail	757.7	757.7	757.7
Healthcare	60.4	41.8	41.8
Turkey	42.0	42.0	42.0
	860.1	**841.5**	**841.5**

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by Ontex’ Board of Directors covering a three-year period. Cash flows beyond the three-year period are extrapolated using an estimated growth rate of 2% for Retail and Healthcare and 3% for Turkey. The growth rate does not exceed the current market expectations in which the three CGUs are currently operating.

The Group has performed a sensitivity analysis by reducing the risk-adjusted cash flow projections and by increasing the pre-tax discount rate as disclosed in note 3.2 “Impairment”.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7.9. PROPERTY, PLANT AND EQUIPMENT

	Land, land improvements and buildings	Plant, machinery and equipment	Furniture and vehicles	Other tangible assets	Assets under construction and advance payments	Total
Year ended 31 December 2011						
Opening net book amount	99.7	120.6	0.4	3.2	18.7	242.6
Additions	0.6	10.8	0.3	1.5	14.3	27.5
Transfers	(0.8)	6.2	-	0.9	(6.3)	(0.0)
Disposals	-	-	(0.1)	-	-	(0.1)
Depreciation charge	(6.7)	(24.7)	(0.2)	(1.0)	(0.4)	(33.0)
Exchange differences	(0.5)	(1.1)	-	0.1	(0.3)	(1.8)
Other movements	(3.7)	(0.1)	-	-	(0.1)	(3.9)
Additions through business combinations	2.3	2.5	0.1	5.3	4.5	14.7
Closing net book amount	**90.9**	**114.2**	**0.5**	**10.0**	**30.4**	**246.0**
At 31 December 2011						
Cost	103.1	164.8	0.9	14.2	30.8	313.8
Accumulated depreciation	(12.2)	(50.6)	(0.4)	(4.2)	(0.4)	(67.8)
Net book amount	**90.9**	**114.2**	**0.5**	**10.0**	**30.4**	**246.0**

	Land, land improvements and buildings	Plant, machinery and equipment	Furniture and vehicles	Other tangible assets	Assets under construction and advance payments	Total
Year ended 31 December 2012						
Opening net book amount	90.9	114.2	0.5	10.0	30.4	246.0
Additions	0.5	23.5	0.3	2.8	23.6	50.7
Transfers	0.9	21.0	-	0.1	(21.9)	0.1
Disposals	-	(0.2)	-	-	-	(0.2)
Depreciation charge	(3.3)	(24.2)	(0.2)	(1.5)	0.4	(28.8)
Exchange differences	0.4	0.3	-	-	-	0.7
Other movements	-	(0.4)	-	-	(0.7)	(1.1)
Closing net book amount	**89.4**	**134.2**	**0.6**	**11.4**	**31.8**	**267.4**
At 31 December 2012						
Cost	103.1	208.1	1.1	17.1	31.8	361.2
Accumulated depreciation	(13.7)	(73.9)	(0.5)	(5.7)	-	(93.8)
Net book amount	**89.4**	**134.2**	**0.6**	**11.4**	**31.8**	**267.4**

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Land, land improvements and buildings	Plant, machinery and equipment	Furniture and vehicles	Other tangible assets	Assets under construction and advance payments	Total
Year ended 31 December 2013						
Opening net book amount	89.4	134.2	0.6	11.4	31.8	267.4
Additions	1.3	21.0	0.2	0.8	9.7	33.0
Transfers	0.6	21.0	0.0	(0.0)	(22.4)	(0.9)
Disposals	-	(4.0)	(0.0)	0.0	(0.8)	(4.8)
Depreciation charge	(3.9)	(25.9)	(0.2)	(1.3)	-	(31.3)
Exchange differences	(1.3)	(5.8)	(0.1)	(0.8)	(0.6)	(8.8)
Other movements	0.0	(0.1)	(0.0)	-	0.5	0.4
Addition through business combinations	12.5	14.6	0.0	-	0.2	27.3
Closing net book amount	**98.6**	**154.6**	**0.6**	**10.1**	**18.2**	**282.0**
At 31 December 2013						
Cost	116.0	239.0	1.2	16.5	18.2	390.8
Accumulated depreciation	(17.5)	(84.4)	(0.6)	(6.4)	-	(108.8)
Net book amount	**98.6**	**154.6**	**0.6**	**10.1**	**18.2**	**282.0**

The following annual operating lease payments have been included in the income statement for the years ended 31 December.

	2013	2012	2011
Land and buildings	18.1	15.3	11.3
Machinery and equipment	6.4	6.8	4.6
Rent of pallets	4.3	3.7	3.7
Furniture and vehicles	4.7	4.5	4.2
Other lease rentals	1.2	1.3	1.1
Total operating lease payments	**34.8**	**31.6**	**24.9**

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The depreciation charge is included in the captions of the consolidated statement of comprehensive income as follows:

	2013	**2012**	**2011**
Cost of sales	25.1	24.9	24.2
Distribution expenses	1.2	1.2	1.3
Sales and marketing expenses	2.2	2.1	1.9
General administrative expenses	0.5	0.5	0.3
Other operating income	0.0	(0.2)	0.2
Total depreciation and amortization	29.0	28.5	27.9
Non-recurring costs	2.3	0.3	5.1
Total depreciation and impairment	**31.3**	**28.8**	**33.0**

The Group did not have material finance lease arrangements during the reporting period.

As indicated in note 14.1 “Borrowings”, the Group’s current and future items of property, plant and equipment are pledged as security for the Group’s borrowings.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7.10. TRADE RECEIVABLES, PREPAID EXPENSES AND OTHER RECEIVABLES

Year ended 31 December	2013	2012	2011
Trade receivables	203.0	170.7	161.5
Less: allowance for impairment of trade receivables	(4.1)	(7.2)	(8.3)
Trade receivables – net	199.0	163.5	153.2
Prepayments	8.7	12.5	21.0
Other amounts receivable	31.4	24.2	18.5
Prepaid expenses and other receivables	40.0	36.7	39.5
Trade and other receivables - Current	**239.0**	**200.2**	**192.7**

"Other amounts receivable" include recoverable VAT for an amount of € 25.2 million for 2013 (2012: € 19.7 million; 2011: € 13.8 million). The fair value of the current receivables approximates their carrying amounts.

The aging of the receivables at 31 December is as follows:

	2013	2012	2011
Not due	160.1	140.9	127.2
0 to 30 days	18.7	16.3	18.6
31 to 60 days	8.5	3.2	2.9
61 to 90 days	5.4	0.4	0.5
Over 90 days	6.3	2.7	4.0
Total	**199.0**	**163.5**	**153.2**

The Group doesn't apply systematically external credit rating. An impairment analysis of trade receivables is done on an individual level, but there are no individual significant impairments.

The carrying amount of the Group's trade receivables are denominated in the following currencies:

Year ended 31 December	2013	2012	2011
EUR	98.3	74.0	81.7
GBP	40.3	30.9	27.8
PLN	24.4	27.2	19.6
TRY	12.7	17.0	17.1
AUD	6.6	5.5	4.4
RUB	8.5	8.9	6.0
Other	12.2	7.2	4.9
Total	**203.0**	**170.7**	**161.5**

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During the course of the year, the payment terms for the receivables have neither deteriorated nor been renegotiated. The maximum credit risk exposure at the end of the reporting period is the carrying value of each caption of receivables mentioned above. The Group does not hold any collateral as security.
Movements on the Group allowance for impairment of trade receivables are as follows:

	2013	2012	2011
Opening Balance	7.2	8.3	3.4
Assets Acquired	0.1	-	3.1
Allowance for receivable impairment	0.8	0.6	2.5
Receivables written off during the year as uncollectible	(0.3)	(1.4)	(0.3)
Unused amounts reversed	(3.6)	(0.3)	(0.3)
Foreign exchange differences	(0.1)	-	(0.1)
At 31 December	**4.1**	**7.2**	**8.3**

The creation and the release of the allowance for impaired receivables have been included in ‘Sales and marketing expense’ in the income statement.

The Group has entered into a non-recourse factoring agreement in 2008 and this agreement is still in place. This factoring agreement is an off-balance sheet arrangement. The agreement provides a credit facility up to € 125 million.

Linked to the acquisition of Serenity in April 2013, the Group also entered into a factoring agreement with Ifitialia and one with Mediofactoring, both non-recourse. These agreements provide an additional credit facility up to € 46.5 million for the year ended 31 December 2013.

As indicated in note 14.1 “Borrowings”, the Group’s Trade Receivables are pledged as security for the Group’s borrowings.

7.11. INVENTORIES

Inventories can be split as follows:

Year ended 31 December	2013	2012	2011
Raw materials	78.3	75.4	60.5
Work in progress	1.0	0.9	0.8
Finished goods	101.0	89.1	74.1
Other	9.9	9.6	7.7
Write-down on inventories	(8.0)	(3.4)	(3.8)
Inventories	**182.2**	**171.6**	**139.3**

The Group mainly uses fluff, super-absorbers and non-woven fabrics. Other raw materials used by the Group for its production include polyethylene, adhesives and tapes as basic raw materials. The finished products are baby diapers, baby pants, towels, tampons, panty liners, wipes, incontinence products and trade goods.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The cost of inventories recognised as an expense and included under 'Cost of sales' amounted to € 1,094.8 million in 2013 (€ 988.3 million in 2012; 2011: € 941.4 million).

As indicated in note 14.1 "Borrowings", the Group's Inventories are pledged as security for the Group's borrowings.

7.12. CASH AND CASH EQUIVALENTS

The net cash position as presented in the consolidated statement of cash flows is as follows:

Year ended 31 December	2013	2012	2011
Short-term bank deposits (no longer than 3 months)	2.8	4.4	2.8
Cash at bank and on hand	58.5	34.5	62.7
Total	**61.3**	**38.9**	**65.5**

The carrying amount of the cash and cash equivalents is a reasonable approximation of their fair value.

The credit quality of the banks and financial institutions the Group is working with is mentioned in the following table:

Cash at bank and short term bank deposits	2013	2012	2011
AA	8.5	7.0	41.1
A	51.3	31.6	24.3
BBB	1.2	0.1	-
BB	0.2	0.1	-
No credit rating	0.1	0.1	0.1
Total	**61.3**	**38.9**	**65.5**

As indicated in note 14.1 "Borrowings", the Group's Bank Accounts are pledged as security for the Group's borrowings.

7.13. SHARE CAPITAL

	Number of shares	Ordinary shares	Share premium	Total
Opening balance at 1 January 2011	**224,470,867**	2.3	447.1	**449.4**
Capital increase/reduction	-	-	-	**-**
Other movements	-	-	-	**-**
Closing balance at 31 December 2011	**224,470,867**	2.3	447.1	**449.4**
Capital increase/reduction	-	-	-	**-**
Other movements	-	-	-	**-**
Closing balance at 31 December 2012	**224,470,867**	2.3	447.1	**449.4**
Capital increase/reduction	-	-	-	**-**
Other movements	-	-	-	**-**
Closing balance at 31 December 2013	**224,470,867**	2.3	447.1	**449.4**

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7.14. BORROWINGS

Year ended 31 December	2013	2012	2011
Non-current			
Borrowings:			
Bonds:			
- Senior Secured Notes 2011 > 1 Year	389.7	312.7	311.4
- Floating Rate Notes 2011 > 1 Year	274.8	273.6	272.5
- Senior Unsecured Notes 2011 > 1 Year	230.6	229.7	228.7
Financial lease & other liabilities	1.6	2.7	2.3
Borrowings non-current	**896.7**	**818.7**	**814.9**
Current			
Borrowings:			
Bonds:	13.2	12.0	12.7
Financial lease & other liabilities	0.7	2.0	2.0
Factoring	-	-	5.7
Borrowings current	**13.9**	**14.0**	**20.4**
Total financial liabilities	**910.6**	**832.7**	**835.3**

Reconciliation to statement of cash flows

	2013	2012	2011
Repaid borrowings			
- Shareholder Loan - Senior loan notes (Nov 2010)	-	-	(600.0)
- Vendor loan notes (November 2010)	-	-	(160.0)
Financial lease & other liabilities	(2.4)	(1.8)	-
Factoring (non recourse)	36.3	(5.7)	-
Impact on statement of cash flows	**33.9**	**(7.5)**	**(760.0)**
Newly contracted loans			
- Bonds	77.4		835.0
- Financial lease & other liabilities		2.2	
Impact on statement of cash flows	**77.4**	**2.2**	**835.0**

All borrowings are denominated in euro.

As of 31 March 2011 the Company has issued high yield bonds replacing a € 600.0 million Senior Loan and a € 160.0 million Vendor Loan Notes.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On 14 February 2013, Ontex closed the offering of € 75 million 7.5% Senior Secured Notes due 2018 for an issue price of 103.25% plus an amount equal to the accrued interest on the Notes from 15 October 2012. The gross proceeds of this successful offering, together with cash on hand, were used to (i) purchase the issued and outstanding capital stock of Serenity and (ii) pay certain fees and expenses associated with the acquisition of Serenity and the offering of the Notes.

The Senior secured Notes are accounted for at amortized cost.

The high yield bonds consist of € 235.0 million 9.000% Senior Notes due 2019, € 395.0 million 7.500% Senior Secured Notes due 2018 and € 280.0 million Senior Secured Floating Rate Notes due 2018.

The high yield bonds are accounted for at amortized cost.

The carrying amounts and fair value of the new financing is as follows:

	Carrying Value	Fair Value
Bonds	895.1	950.8
	895.1	**950.8**

(*) The fair value of the bonds is that as quoted on the market

As of 31 December 2013, € 75 million of the Revolving Credit Facility is undrawn.

7.14.1. Collateral for bank borrowings

Security agreements have been entered into which collectively secure the borrowings for the entire amount outstanding and accrued interest on the bank borrowings. The Group is subject to regular bank reporting, and certain financial ratios are monitored. The Group retains full ownership and operating rights for the assets pledged. In the event of a default of repayment of the bank borrowings and related interest payments, the bank may enforce against the pledged assets.

7.15.1. Other information

HSBC Turkey has granted a line of credit to Ontex Tuketim A.S. for USD 4.4 million. Over this line of credit nothing has been utilized.

Isbank Turkey has also granted a line of credit to Ontex Tuketim A.S. for USD 10.0 million. Over this line of credit USD 3.5 million has been utilized for non-cash loan (letter of guarantees given to Customs).

Yapi Kredi Turkey has granted a line of credit to Ontex Tuketim A.S. for USD 3.0 million. Over this line of credit 1.2 million has been utilized for non-cash loan (letter of guarantees given to Customs).

Akbank Turkey has granted a line of credit to Ontex Tuketim A.S. for USD 2.8 million. Over this line of credit 0.5 million has been utilized for non-cash loan (letter of guarantees given to Customs).

Garanti Turkey has granted a line of credit to Ontex Tuketim A.S. for USD 1.5 million. Over this line of credit 0.1 million has been utilized for non-cash loan (letter of guarantees given to Customs).

Ontex Tuketim A.S. signed a guarantee letter in favour of HSBC Algeria at an amount of USD 7.5 million. HSBC Algeria has been using this guarantee letter to grant a line of credit to Can Hygiene SPA for drawing Letter of Credits to raw material suppliers and grant loan for BD line purchase.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7.15. EMPLOYEE BENEFIT LIABILITIES

The Group grants its working and retired personnel post-employment benefits, long-term benefits, and termination benefits. These benefits have been valued in conformity with IAS 19. The related IAS 19 liability recognized in the balance sheet can be analysed as follows:

Year ended 31 December	2013	2012	2011
Post-employment benefits	13.2	11.1	8.3
Long-term benefits	2.0	2.1	2.2
Termination benefits*	0.6	1.1	1.6
Employee benefit liabilities	**15.8**	**14.3**	**12.1**
Short-term employee benefits and other benefits	25.9	23.4	22.7
Net liability	**41.7**	**37.7**	**34.8**

*Prepension included in termination benefits.

The calculation of the debt is based on actuarial assumptions that have been determined on the various balance sheet dates. They are based not only on macro-economic factors valid for the dates in question but also on the specific characteristics of the various schemes evaluated. They represent the Group's best estimate for the future. They are periodically reviewed in accordance with the evolution of the markets and available statistics.

Post-employment benefits:

We make payments on a defined contribution basis to both state and private pension arrangements across our operations. In addition, we operate a defined benefit insurance scheme in Belgium and we also have an obligation to make severance payments to employees upon their retirement in France and Turkey.
We also operate several unfunded pension arrangements in respect of our German operations. The German operations do not fund the pension arrangements but reflect pension scheme liabilities in company accounts on an IAS 19 revised basis. The pension benefits are paid by the relevant company as they fall due.

The Group has DC plans for which they paid € 0.1 million in 2013. In Belgium the DC plans are subject to a minimum guaranteed rate of return by law. In practice this guarantee is mainly covered by insurance companies. As there is no deficit as per 31 December 2013, no liability has been recognised. The accumulated reserves of these plans are equal to the assets.

There are no risks to which the plan exposes the entity, focusing on any unusual, entity-specific or plan specific risks, and of any significant concentrations of risk.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7.15.1. Reconciliation of the employee benefit liabilities

Post Employment Benefits	2013	2012	2011
RECOGNITION OF THE OBLIGATION			
Defined benefit obligation (DBO) at end of period	(14.5)	(12.3)	(9.5)
Fair value of plan assets at end of period	1.3	1.2	1.2
Funded status	**(13.2)**	**(11.1)**	**(8.3)**
NET (LIABILITY)/ASSET IN STATEMENT OF FINANCIAL POSITION	**(13.2)**	**(11.1)**	**(8.3)**
DEFINED BENEFIT COST			
Current service cost	0.4	0.3	0.4
Past service cost	0.0	0.0	(1.4)
Service cost (note 19) recognised in P&L	**0.4**	**0.3**	**(1.0)**
Interest expense on DBO	0.5	0.5	0.4
Interest income on plan assets	0.0	(0.1)	0.0
Net interest cost recognised in P&L	**0.5**	**0.4**	**0.4**
PENSION (EXPENSE)/PROFIT (EMPLOYER)	**0.9**	**0.7**	**(0.6)**
Re-measurements recognised in OCI	0.0		
RECONCILIATION OF THE OBLIGATION			
Defined benefit obligation (DBO) at beginning of year	**(12.3)**	**(9.5)**	**(9.9)**
Business combination	(1.7)	0.0	(0.5)
Current service cost	(0.4)	(0.3)	(0.4)
Past service cost	0.0	0.0	1.4
Service cost	(0.4)	(0.3)	1.0
Interest expense on DBO	(0.5)	(0.5)	(0.5)
Benefit payments from plan	0.0	0.2	0.0
Benefit payments from employer	0.3	0.4	0.3
		0.0	0.0
Participant contributions	0.0	0.0	0.0
Administrative expenses included in the DBO	0.0	0.0	0.0
Taxes included in the DBO	0.0	0.0	0.0
Insurance premiums for risk benefits	0.0	0.0	0.0
Effect of changes in financial assumptions	0.1	(1.8)	(0.1)
Effect of experience adjustments:	(0.2)	(0.8)	0.0
Effect of changes in foreign exchange rates	0.1	0.0	0.1
Defined benefit obligation (DBO) at end of year	**(14.5)**	**(12.3)**	**(9.5)**

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Post Employment Benefits	2013	2012	2011
RECONCILIATION OF PLAN ASSETS AT FAIR VALUE			
Fair value of plan assets at beginning of year	1.2	1.2	1.0
Interest income	0.0	0.1	0.0
Employer contribution	0.4	0.5	0.4
Plan participants' contributions	0.0	0.0	0.0
Benefit payments from plan	-	(0.2)	0.0
Benefit payments from employer	(0.3)	(0.4)	(0.3)
Administrative expenses paid from plan assets	0.0	0.0	0.0
Taxes paid from plan assets	0.0	0.0	0.0
Insurance premiums for risk benefits	0.0	0.0	0.0
Return on plan assets (excluding interest income)	0.0	0.0	0.2
Fair value of plan assets at end of period	1.3	1.2	1.2
RECONCILIATION OF NET (LIABILITY)/ASSET IN STATEMENT OF FINANCIAL POSITION			
Net (liability)/asset at start of year	(11.1)	(8.3)	(8.9)
Business combination	(1.7)	0.0	(0.5)
Defined benefit cost included in the income statement	(0.9)	(0.7)	0.6
Total re-measurements included in OCI	0.0	(2.6)	0.1
Employer contributions	0.4	0.5	0.4
Effect of changes in foreign exchange rates	0.1	0.0	0.0
Net (liability)/asset at end of year	**(13.2)**	**(11.1)**	**(8.3)**

Post Employment Benefits	2013	2012	2011
UNFUNDED versus FUNDED			
Part of DBO from plans that are wholly unfunded	(13.3)	(11.1)	(8.3)
EXPECTED CONTRIBUTIONS IN NEXT ANNUAL PERIOD	**(0.6)**	**(0.4)**	**(0.2)**

The plan assets consist of insurance contracts.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7.15.2. Material actuarial assumptions 2011

		COUNTRY		
As at 31 December 2011	**Belgium**	**Germany**	**France**	**Turkey**
Discount rate	4.8%	4.8%	4.75%	10.0%
Expected long-term rate of return on plan assets	3.3%	-	-	-
Salary increase rate (on top of inflation)	4.0%	3.0%	2.5%	-
Rate of inflation	2.0%	-	2.0%	-
Mortality table	-	Heubeck 2005 G	INSEE 2006-2008	-
Turnover table/rates	0.0%	0.0%	-	0.0%
Disability table/rates	-	Heubeck 2005 G	-	-

7.15.3. Material actuarial assumptions 2012

		COUNTRY		
As at 31 December 2012	**Belgium**	**Germany**	**France**	**Turkey**
Discount rate	3.3%	1% - 3.25% - 3.70%	3.8%	8.8%
Expected long-term rate of return on plan assets	3.3%	-	-	-
Salary increase rate (on top of inflation)	3.5%	0.0%	2.5%	5.0%
Rate of inflation	2.0%	2.0%	2.0%	5.0%
Mortality table	MR/FR age corr minus 3 y	Heubeck 2005 G	INSEE 2006-2008	C.S.O. 1980
Turnover table/rates	0.0%	0.0%	-	0.0%
Disability table/rates	-	Heubeck 2005 G	-	-

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7.15.4. Material actuarial assumptions 2013

As at 31 December 2013	Belgium	Germany	COUNTRY France	Turkey	Italy
Discount rate	3.3%	0.5% - 3.25%	3.8%	10.5%	3.5%
Expected long-term rate of return on plan assets	3.3%	-	-	-	-
Salary increase rate (on top of inflation)	3.5%	0.0%	2.5%	5.0%	n/a
Rate of inflation	2.0%	2.0%	2.0%	5.0%	2.0%
Mortality table	MR FR with age correction minus 3years	Heubeck 2005 G	INSEE 2006-2008	C.S.O. 1980	RG48 Italian tables
Turnover table/rates	None	n/a	table1/table 2	company specific	3% flat
Disability table/rates	-	Heubeck 2005 G	-	-	
Weighted average duration	13.83	14.79	11.84	N/A	12.32

There are no unusual entity-specific or plan specific risks to which the plan exposes the entity, neither are there any significant concentrations of risk.

The sensitivity analyses below have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period'**.**

As at 31 December 2013 Sensitivity analysis	Belgium	Germany	France	Turkey	Italy
Discount rate - 0,25bp	2.0	8.5	2.4	0.4	1.7
Discount rate + 0.25bp	1.9	8.0	2.1	0.4	1.6
Salary increase - 0.25bp	1.9	no impact	2.4	0.4	no impact
Salary increase + 0.25bp	1.8	no impact	2.4	0.4	no impact

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7.15.5. Post Employment Benefits by Country

			2011		
Post Employment Benefits	**Germany**	**Turkey**	**France**	**Belgium**	**Total**
RECOGNITION OF THE OBLIGATION					
Defined benefit obligation (DBO) at end of period	(6.4)	(0.5)	(1.2)	(1.4)	(9.5)
Fair value of plan assets at end of period	-	-	-	1.2	1.2
NET (LIABILITY)/ASSET IN STATEMENT OF FINANCIAL POSITION	**(6.4)**	**(0.5)**	**(1.2)**	**(0.2)**	**(8.3)**

			2012		
Post Employment Benefits	**Germany**	**Turkey**	**France**	**Belgium**	**Total**
RECOGNITION OF THE OBLIGATION					
Defined benefit obligation (DBO) at end of period	(7.8)	(0.6)	(2.1)	(1.8)	(12.2)
Fair value of plan assets at end of period	-	-	-	1.2	1.2
NET (LIABILITY)/ASSET IN STATEMENT OF FINANCIAL POSITION	**(7.8)**	**(0.6)**	**(2.1)**	**(0.6)**	**(11.1)**

				2013		
Post Employment Benefits	**Germany**	**Turkey**	**France**	**Belgium**	**Italy**	**Total**
RECOGNITION OF THE OBLIGATION						
Defined benefit obligation (DBO) at end of period	(8.2)	(0.4)	(2.2)	(1.9)	(1.7)	(14.5)
Fair value of plan assets at end of period	0.0	0.0	0.0	1.3	0.0	1.3
Funded status	(8.2)	(0.4)	(2.2)	(0.6)	(1.7)	(13.2)
NET (LIABILITY)/ASSET IN STATEMENT OF FINANCIAL POSITION	**(8.2)**	**(0.4)**	**(2.2)**	**(0.6)**	**(1.7)**	**(13.2)**

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7.16. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes relate to the same fiscal authority. The deferred tax assets and liabilities are attributable to the following items:

Ontex Group—Net total DTA (+) / DTL (-)

	31 December 2013		31 December 2012		31 December 2011	
	Deferred tax asset	**Deferred tax liability**	**Deferred tax asset**	**Deferred tax liability**	**Deferred tax asset**	**Deferred tax liability**
Intangible assets	1.2		1.8		2.2	
Property. plant and equipment		(27.7)		(24.7)		(25.9)
Materials & consumables		(0.1)		(0.3)		(0.3)
Financial instruments		(4.6)		(4.4)		(7.4)
Employee benefits	1.4		0.9		1.0	
Accrued expenses and other payables	0.7			(0.9)		(2.8)
Others		(2.9)		(2.0)		(0.5)
Tax losses	198.6		148.9		159.0	
Tax credit	8.0		6.5		6.5	
Total deferred tax assets & liabilities related to temporary differences	**209.8**	**(35.3)**	**158.1**	**(32.3)**	**168.7**	**(36.9)**
Net deferred tax assets not recognised	(189.1)		(139.2)		(145.9)	
Reclass (net deferred tax position by company)	(20.5)	20.5	(18.9)	18.9	(22.3)	22.3
Total deferred tax assets & liabilities	**0.3**	**(14.8)**	**0.1**	**(13.3)**	**0.5**	**(14.6)**

Deferred income tax assets are recognised on temporary differences, tax credits carried forward and tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of € 189.1 million (2012: € 139.2 million; 2011: € 145.9 million) in respect of losses amounting to (tax effected) € 198.6 million (2012: € 148.9 million; 2011: € 159.0 million). The tax losses carried forward mainly relate to France and Belgium. In both countries tax losses can in principle be carried forward indefinitely. Furthermore, the Group did not recognise deferred income tax assets of € 8.0 million (2012: € 6.5 million; 2011: € 6.5 million) in respect of tax credits carried forward. These tax credits carried forward almost entirely relate to excess-dividends received deduction in the hands of the Belgian company Ontex bvba. Excess-dividends received deduction can be carried forward in principle for an indefinite period of time.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Group did not recognise deferred taxes associated with investments in subsidiaries. There is currently no policy or detailed plan in relation to the payment of dividends to shareholders.

7.17. CURRENT AND NON-CURRENT LIABILITIES

Other current liabilities (excluding provisions, income tax liabilities, financial liabilities and liabilities directly associated with non-current assets intended for sale) can be presented as follows:

Year ended 31 December	2013	2012	2011
Accrued expenses and other payables	15.7	17.4	17.1
Less: Non-current portion	(0.0)	(0.0)	0.0
Current accrued expenses and other payables	**15.7**	**17.4**	**17.1**
Trade payables	243.2	222.8	220.1
Social liabilities	25.9	23.4	22.7
Total current liabilities	**284.8**	**263.6**	**259.9**

The aging of the trade payables is as follows:

Year ended 31 December	2013	2012	2011
Not due	208.4	172.4	190.2
0 to 30 days	30.9	44.1	28.0
31 to 60 days	1.7	3.5	1.9
61 to 90 days	0.1	1.1	-
Over 90 days	2.1	1.7	-
Total	**243.2**	**222.8**	**220.1**

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7.18. PROVISIONS – CURRENT LIABILITIES

	Legal claims	Restructuring	Other	Total
Opening Balance	**2.5**	**-**	**1.8**	**4.3**
Additional provisions	1.5	15.5	0.2	**17.2**
Unused amounts reversed	(0.5)	-	(0.8)	**(1.3)**
Used during the year	(0.1)	(2.6)	-	**(2.7)**
Other changes	0.3	-	-	**0.3**
At 31 December 2011	**3.7**	**12.9**	**1.2**	**17.8**
Opening Balance	**3.7**	**12.9**	**1.2**	**17.8**
Additional provisions	2.1	35.4	-	**37.5**
Unused amounts reversed	(0.8)	0.0	(0.9)	**(1.7)**
Used during the year	(0.8)	(10.4)	0,1	**(11.1)**
Other changes	-	-	(0.2)	**(0.2)**
At 31 December 2012	**4.2**	**37.9**	**0.2**	**42.3**
Opening Balance	**4.2**	**37.9**	**0.2**	**42.3**
Liabilities incurred				
Additional provisions	0.1	3.7	0.2	**4.0**
Unused amounts reversed	(0.6)	(0.1)	(0.1)	**(0.9)**
Used during the year	(1.7)	(36.2)	0.0	**(37.9)**
Other changes	(0.1)	0.0	0.0	**(0.1)**
At 31 December 2013	**1.9**	**5.3**	**0.2**	**7.4**

The main part of the provision as per 31 December 2012 relates to the closure of a production site in Recklinghausen, Germany, whereof main part was settled in 2013.

The Group recognises a provision for certain legal claims brought against the Group by customers, suppliers or former employees. The provision charge is recognised in profit and loss within the line 'Other operating income/ (expense)' in the consolidated income statement. There have been no significant developments in respect of claims compared to prior year end

The Group had non-current other provisions under the reporting period for € 0.1 million.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7.19. EMPLOYEE BENEFIT EXPENSES

For the year ended 31 December	2013	2012	2011
Wages and salaries	(135.0)	(127.2)	(111.2)
Social security costs	(38.5)	(36.1)	(34.3)
Defined contribution cost - post employment benefits (note 15)	0.4	(0.3)	0.4
Pension cost	(4.2)	(3.5)	(3.8)
Other personnel expenses	(9.7)	(7.8)	(7.4)
Total employee benefit expenses	**(187.0)**	**(174.9)**	**(156.3)**

	2013	2012	2011
Average number of total employees (in Full time Equivalents)	4,981	4,682	4,527
Of which:			
- workers	3,569	3,343	3,035
- employees	1,344	1,291	1,463
- management	68	48	28

7.20. OTHER OPERATING INCOME / (EXPENSE), NET

For the year ended 31 December	2013	2012	2011
Gain on disposal of assets	0.7	0.5	0.1
Foreign exchange difference on operating activities	0.7	1.3	(1.1)
Losses on disposal of assets	(1.1)	(0.4)	(0.1)
Other expenses	0.1	(0.3)	(0.8)
Total other operating income/(expense), net	**0.4**	**1.1**	**(1.9)**

7.21. NON-RECURRING EXPENSES

For the year ended 31 December	2013	2012	2011
Acquisition costs related to Group ONV Topco	-	-	(0.2)
Factory Closure	(4.2)	(39.9)	(31.7)
Business restructuring	(1.0)	(6.0)	(1.6)
Acquisition related expenses	(8.2)	(0.6)	(1.5)
Impairment losses	(4.3)	(0.3)	(3.8)
Other	(1.8)	(3.6)	(1.4)
Total non-recurring expenses	**(19.6)**	**(50.4)**	**(40.2)**

Items classified under the heading non-recurring expenses are those items that are considered by management to be non-recurring or unusual because of their nature. The Group has adopted this classification to allow a better understanding of its recurring financial performance.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Acquisition of the ONV Topco Group: The costs incurred primarily comprise payments to the previous owners in connection with the acquisition including professional fees and financial advisors fees.

Factory closure: The Group closed its factories in Villefranche, France (2011) and in Recklinghausen, Germany (2012). The costs primarily comprised redundancy and other similar payments together with professional fees. The non-recurring items in 2013 relate to costs incurred in respect of the past factory closures but which could not be accrued for at the time. These costs inlude, but are not limited to, some litigations in respect of past restructurings.

Business restructuring: The Group conducted a number of projects to optimise the management of its business, in 2012, mainly concentrated on the integration of the acquired Lille Healthcare Group in the Group. The costs comprise professional fees, costs related to breach of contract and costs to enhance the Group systems to realize the business integration.

Acquisition related expenses: In 2011 the Group has made expenses in relation to the acquisition of the Lille Healthcare Group and to potential acquisitions that have not been contracted and has recognized € 3 million negative goodwill in respect of the acquisition of Lille Healthcare. In 2013 the Group has made expenses in relation of the acquisition of Serenity Spa.

Asset Impairment: The asset impairment charge is a non cash item and relates in 2013 to the write off and amortization of idle production equipment and in 2011 to the impairment of a building.

Other: In 2011 other items comprise a number of non-recurring costs including professional costs in relation to start up of new production facilities and liquidation expenses of a former subsidiary. In 2012 main costs incurred related to the move into and start-up of a new production facility in Turkey. In 2013 the non-recurring is related to reorganisation of the group.

7.22. EXPENSES BY NATURE

Expenses by nature represent an alternative disclosure for amounts included in the Consolidated Income Statement. There are classified under “Cost of Sales”, “Distribution Expenses”, “Sales and Marketing Expenses” and “General Administrative Expenses” in respect of the years ended 31 December:

	2013	2012	2011
Changes in inventories	(3.3)	59.1	0.0
Raw materials and consumables used	(880.8)	(848.0)	(754.8)
Employee benefit expenses (note 19)	(187.0)	(174.9)	(156.3)
Depreciation and amortisation (notes 8 and 9)	(31.5)	(30.8)	(30.4)
Rendered services	(211.5)	(164.6)	(145.8)
Operating lease payments (note 9)	(34.8)	(31.6)	(24.9)
Other gain / (charges) (note 20)	0.4	1.1	(1.9)
Total cost of sales. distribution expenses. sales and marketing expenses and general administrative expenses	**(1,348.5)**	**(1,189.7)**	**(1,114.1)**

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7.23. NET FINANCE RESULT

The various items comprising the financial result are as follows:

	2013	2012	2011
Interest income on current assets	0.5	0.2	0.8
Exchange rate differences	11.3	7.8	12.5
Gains on derivatives	5.6	10.1	12.3
Other	0.4	0.0	(0.0)
Finance income	**17.9**	**18.1**	**25.6**
Interest expense on initial financing structure			
- Senior Loan Notes	-	-	(54.5)
- Revolver Loan Notes	(0.6)	-	-
- Vendor Loan Notes	-	-	(2.4)
Interest expense on bonds	(68.9)	(63.3)	(48.3)
Interest expense on other loans	(2.9)	(2.3)	(2.8)
Interest expense	(72.4)	(65.6)	(108.0)
Exchange rate differences	(17.7)	(6.5)	(14.2)
Banking cost	(4.2)	(3.0)	(1.3)
Factor fee	(1.9)	(1.4)	(1.1)
Losses on derivatives	(5.7)	(11.6)	(2.1)
Finance cost	**(101.9)**	**(88.1)**	**(126.7)**
Finance income as per income statement	17.9	18.1	25.6
Finance expense as per income statement	(101.9)	(88.1)	(126.7)
Net finance cost as per income statement	**(84.0)**	**(70.0)**	**(101.1)**

Reconciliation to Statement of Cash flows

	2013	2012	2011
Total interest expense	(65.5)	(60.5)	(60.2)
Movement in accrued interest and accreting interest	1.2	(0.7)	10.3
Interest paid	**(64.3)**	**(61.2)**	**(49.9)**

	2013	2012	2011
Total interest income	0.5	0.2	0.8
Movement in accrued interest	-	-	-
Interest received	**0.5**	**0.2**	**0.8**

Net gain or losses on derivatives relate to the fluctuation of the fair value of the derivative financial liabilities or assets.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7.24. INCOME TAX EXPENSE

The income tax (charged)/credited to the income statement during the year is as follows:

	2013	2012	2011
Current tax - (charge)/credit	(15.0)	(7.6)	(11.9)
Deferred tax - (charge)/credit	1.0	0.8	(1.7)
Total tax (charge)/credit	**(14.0)**	**(6.8)**	**(13.6)**

Ontex Group—Income tax (expense) / credit

	2013	2012	2011
Profit before income taxes	39.9	(1.1)	(37.9)
Income tax (expense) / credit calculated at domestic tax rates	(12.5)	(11.7)	9.4
Permanent items	0.7	9.0	(8.1)
Deferred tax movement in consolidation	(3.1)	(4.9)	20.6
Non recognition on deferred tax assets (movement)		8.7	(33.6)
Other	0.9	(7.9)	(1.9)
Total income tax (expense) / credit	**(14.0)**	**(6.8)**	**(13.6)**

7.25. CONTINGENCIES

The Group is involved in a number of environmental, contractual, product liability, patent (or intellectual property), employment and other claims and disputes incidental to our business.

The Group currently believes that the disposition of all claims and disputes, individually or in the aggregate, should not have a material adverse effect on our consolidated financial condition, results of operations or liquidity.

7.26. COMMITMENTS

7.26.1. Capital commitments

The Group has contracted expenditures for the acquisition of property, plant and equipment at 31 December 2013 of € 2.2 million, 2012: € 7.3 million, 2011: € 6.4 million.

7.26.2. Capital commitments resulting from operating lease contracts—in which the Group is the lessee

The Group has also contracted a number of property leases that can be terminated by respecting the notice period which is different in each jurisdiction.

The Group leases machinery used in the production. The typical lease terms vary depending upon which country the lease agreement is entered into. The majority of lease agreements are renewable at the end of the lease period at market rate.

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The lease expenditure charged to the income statement during the respective years is disclosed in note 9 “Property, Plant and Equipment”. Commitments in respect of future minimum lease payments that may be claimed under simple non-cancellable leases break down as follows:

	2013	2012	2011
Within one year	13.0	7.4	9.6
From 1 to 5 years	28.6	22.8	24.9
Beyond 5 years	11.8	11.8	6.9
	53.4	**42.0**	**41.4**

7.26.3. Bank guarantees

As indicated in note 14 “Borrowings”, the Group’s main current and future lease assets are pledged as security for these borrowings. The entire amount of the Group’s bank borrowings and accrued interest are secured according to collective pledge agreements.

The Group has given bank guarantees for an amount of € 20 million in order to participate in public tenders.

7.27. RELATED PARTY TRANSACTIONS

7.27.1. Consolidated companies

A list of subsidiaries together with a brief description of their business activities, is given in note 6 “List of Consolidated Companies”.

7.27.2. Relations with the shareholders

For the year ended 31 December	2013	2012	2011
Balance			
Trade payable	1.9	0.5	3.2
	1.9	**0.5**	**3.2**
Income statement			
Fees	4.9	2.4	2.8
	4.9	**2.4**	**2.8**

7.27.3. Relations with non-executive members of the Board of Directors

For the year ended 31 December	2013	2012	2011
Remuneration	0.0	0.1	0.1
	0.0	**0.1**	**0.1**

ONTEX GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7.27.4. Relations with the key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The key management for the Group are till 30 April 2013 all the members of the Senior Management Team, comprising also the executive members of the Board of Directors. Since 1 May, a new Executive Team replaced the Senior Management Team.

7.27.5. Key management compensation

Remuneration of the CEO	2013	2012	2011
Fixed remuneration	1.7	0.1	0.1

Remuneration of the Senior Management Team	2013*	2012	2011
(excluding the CEO)			
Fixed remuneration	0.7	2.2	2.0
Variable remuneration	0.1	0.2	0.4
Other remuneration	0.0	0.1	0.1
Total	0.8	2.5	2.5

*Senior management was in place until 30 April 2013

From 1 May 2013 the new Executive Team was put in place. The remuneration for the year ended 31 December 2013 amounts to € 2.2 million.

For the year ended 31 December	2013	2012	2011
Rural Bridge fees	2.7	4.2	3.6

Rural Bridge is the management company through which key management operates.

The Group has purchased directors' and officers' insurance coverage.

7.27.6. Other

In 2011, British Vita supplied goods at 'arm's length' to the Ontex Group through its subsidiary Libeltex. The 2012 revenue was € 9.7 million (2011: € 13.4 million) and at the 31 December 2012 Ontex owed the Group € 2.1 million (2011: € 3.3 million). British Vita was owned by a fund managed by TPG Capital, L.P. and delivered goods to Ontex for over ten years. In September 2012, British Vita was sold to the TWE Group.

In 2013, the Ontex group sold goods at 'arm's length' to Lenta, where TPG is a shareholder. The 2013 revenue was € 4.7 million.

7.28. EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no events after the end of the reporting period.